

A Process Model For Acquisition Integration Success

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Abstract

On average over the last 30 years 50% of all mergers and acquisitions have failed, with a third of all these failures having been caused by poor integration. This study sets out to examine a potential solution to improve the chances of integration success.

An evaluation of the published acquisition integration process models that had strategic alignment of the acquisition strategy at their core was carried out and these were found to be incomplete and deficient in various aspects, including integrating fit factors, defined process stages and their interconnectedness. A conceptual acquisition integration process model was developed, based on a review of the literature which was subsequently used to design an appropriate research methodology to enhance and validate this model.

In subsequent field work a qualitative case study approach, incorporating interviews, documents and comparative data analysis, was undertaken using four organisations and sixteen interviews, to assess how those organisations carry out the integration process. The results were combined with the conceptual model to develop an interim integration process model.

This model was subsequently tested on the previous case organisations through semi-structured interviews. The conceptual process model was re-appraised and an internal and a limited external validation study were carried out on the revised model. From this the final complete acquisition integration process model and acquisition planning and integration implementation ‘onion’ was developed that is both practical and empirically tested, albeit on a small sample set.

Dedication

To my wife Therese and to our children Nicole, Luke and Roisin for their love and support.

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Special thanks are also due to the following colleagues and friends for their invaluable assistance without which its completion would not have been achieved: Dr. William Wallace, the author's tutor and source of unfailing help, guidance and advice. To my parents Moira & Alex, Therese's parents Pat & Bridie, Dr. Andrew MacLennan, Ben Meehan, Desmond Stark, Dr. Pamela Sharkey-Scott, Dr. Anne Murphy, Dr. Rosin Murphy, Dr. Lorcan Sirr, Dr. Brendan Williams, Professor John Radcliffe, Thomas Dunne and Alexander Ingle.

To Dr. Paul O'Leary, you are a true friend. You believed when nobody else did. You were patient, encouraging and offered support in good and bad times throughout the doctoral process. I greatly appreciate everything.

Thank you also to the anonymous participants who contributed to this study.

ACADEMIC REGISTRY

Research Thesis Submission



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Table of Contents

Abstracti
Dedicationii
Acknowledgements.....iii
Method of Submissioniv
E-thesis Submitted (mandatory for final theses).....iv
Glossary of Key Termsxv
Chapter 1 Introduction to the study 1
1.1 Research design and methodology 3
1.2 Research limitations5
1.3 Summary of main findings7
1.4 Organisation of the thesis9
Chapter 2 Mergers and Acquisitions (M&As) 11
2.1 Failure rates in mergers and acquisitions 11
2.1.1 Reasons for M&A failures	13
2.1.2 One of the main reasons for M&A integration failures	14
2.2 Acquisition strategy 15
2.2.1 Success and acquisition strategy	15
2.2.2 Commencement of the M&A integration process	16
2.2.3 Fit: A key influence on process model development	16
2.2.4 Summary of findings	20
2.2.4 Why this research is required	20
Chapter 3 Framing the research study acquisition process model..... 22
3.1 Development of an acquisition integration process model 22
3.2 Evolution of M&A process models 23
3.2.1 Howell (1970)	23
3.2.2 Jemison & Sitkin (1986, a, b)	24
3.2.3 Schweiger et al., (1993)	25

3.2.4	Pablo (1991 & 1994)	27
3.2.5	Askenas, DeMonaco & Francis (1998)	29
3.2.6	Ellis (2000)	30
3.2.7	Roberts, Wallace & Moles (2003)	32
3.2.8	Quah & Young (2005)	33
3.3	Conclusion	33
Chapter 4	Conceptual stages of the acquisition integration process	35
4.1	Pre-acquisition: Background factors influencing acquisition strategy	35
4.1.1	Corporate vision and corporate strategy	37
4.1.2	Acquisition motives	37
4.1.3	M&A Process	39
4.2	Pre-acquisition stage	40
4.2.1	Developing an acquisition strategy and criteria	41
4.2.2	Candidate selection	42
4.2.3	Due diligence investigation process	42
4.3	Post-acquisition.....	43
4.3.1	Integration strategy	44
4.3.2	Integration approaches	46
4.4	Performance evaluation	49
4.4.1	A recent move towards the use of critical success factors	50
4.4.2	Pre-acquisition measures	50
4.4.3	Post-acquisition measures	51
Chapter 5	Literature synthesis	53
5.1	Development of a conceptual acquisition integration process model	53
5.1.1	Acquisition strategy	53
5.1.2	Acquisition strategy criteria and candidate selection	55
5.1.3	Due diligence	55

5.1.4	Pre-acquisition integration strategy	55
5.1.5	Post-acquisition integration strategy and integration approach	57
5.2	Acquisition integration and the way forward for this research study	57
5.3	Conclusion	58
Chapter 6	Research design and methodology	59
6.1	Research title, question, aim and objectives	59
6.2	Research design roadmap	60
6.3	Research limitations	61
6.4	Pragmatic Qualitative research	62
6.5	Data Collection	64
6.5.1	Case studies	64
6.6	Data Analysis	70
6.6.1	Coding	70
6.6.2	Data Analysis	71
6.8	Quality of research	73
6.9	Ethical considerations	73
6.10	Expected contribution	74
Chapter 7	Pilot study	77
7.1	Pilot Interview process	77
7.2	Pilot study interview objectives:	79
7.3	Pilot study findings	80
7.3.1	Acquisition strategy / criteria / candidate selection	81
7.3.2	Due diligence and pre-acquisition integration strategy	81
7.3.3	Post-acquisition strategy and approach	81
7.3.4	Additional insights gained	82
7.3.5	Conclusion	84
Chapter 8	Data collection and analysis	86

8.1	Alterations made to the planned research design approach	86
8.2	Data collection 1.....	88
8.2.1	Fieldwork method 1: Semi-structured interviews	88
8.2.2	Fieldwork method 1: Documentary evidence	90
8.3	Data analysis 1	91
8.3.1	1 st phase of data analysis	92
8.3.2	2 nd phase of data analysis	97
8.3.3	3 rd phase of data analysis	98
8.3.4	4 th phase of the data analysis process /development of process model	98
8.3.5	5 th phase of the data analysis process	101
8.3.6	6 th phase of the data analysis process	101
8.4	Data collection 2.....	101
8.4.1	Fieldwork method 2: Semi-structured interviews	101
8.5	Data analysis 2	102
8.5.1	7 th Phase of the data analysis process	102
8.5.2	8 th phase of the data analysis process	102
8.5.3	9 th phase of the data analysis process	103
8.6	Implementation of the research studies ethical stance.....	103
8.7	Conclusion	104
Chapter 9	Results and discussion.....	106
9.1	High-level contextual overview of In-case organisations.....	106
9.1.1	In-case organisation A	107
9.1.2	In-case organisation B	107
9.1.3	In-case organisation C	107
9.1.4	In-case organisation D	108
9.2	Stages and criteria from best practice literature and field research that warrant inclusion in the final process model.	108
9.3	Background factors	111

9.3.1	Integration project management: Cross-case analysis	113
9.3.2	M&A Integration process model: In-case and Cross-case analysis	113
9.3.3	Extraneous strategic risks	116
9.4	Pre-acquisition integration stages.....	119
9.4.1.	Analysis of acquisition context: Cross-case analysis	119
9.4.2	Strategic high-level analysis	121
9.4.3	Detailed candidate analysis	125
9.4.4	Pre-acquisition plans (strategy) for post-acquisition integration	129
9.4.5	Negotiation process	135
9.5	Post-acquisition stages:	139
9.5.1	Implementation of pre-acquisition plans for post-acquisition integration: Cross-case analysis	142
9.5.2	Verification and review of pre-acquisition plans for post-acquisition integration: Cross-case analysis	142
9.5.3	Expand High-level pre-acquisition plans to low-level detail: Cross-case analysis	144
9.5.4	Long- term integration	145
9.5.5	Review and feedback: Cross-case analysis	146
9.6	Summary	150
Chapter 10	Final complete acquisition integration process model development and synopsis.	152
10.1	A review of the recently published relevant literature.....	152
10.2	Results of both an internal and external validation study of the final process model	156
10.3	Literature re-appraisal	158
10.4	High-level synopsis of final complete acquisition integration process model.....	163
10.1	Summary	175
Chapter 11	Conclusions and suggestions for further research	176

11.1	The research limitations.....	176
11.2	The verifiability and reliability of data collection and analysis process	179
11.3	Conclusions	180
11.4	Implications of the research	182
11.4.1	Implications for the literature	182
11.4.2	Managerial implications	184
11.5	Contribution to knowledge	185
11.6	Suggestions for further research	187
11.6.1	Possible future methodology suggestions to improve the process model	187
11.6.2	Project management	187
11.6.3	Extraneous strategic risks	187
11.6.4	Acquisition context	188
11.6.5	Strategic high-level analysis	188
11.6.6	Pre-acquisition planning for post-acquisition integration	188
11.6.7	Negotiation process	188
11.6.8	Post-acquisition integration	188
References		190
Appendix A: Pilot Study - Summary of Research purpose document.....		204
Appendix B: Pilot Study - Questions given to participant C only		216
Appendix B: Pilot Study: Questions given to participant C only:.....		218
Appendix C: Main Study - Questions proposed for Main Study		220
Appendix D: Main Study: Information to look for in documents searches		225
Appendix E: Consent Form		229
Appendix F: Sample letter requesting participation in study.....		231
Appendix G: Case organisation agreement letters		234
Appendix H: 1st Phase Data analysis		235
Appendix I: 2nd Phase Data analysis		239

Appendix J: 3rd Phase data analysis - Data Reduction.....	242
Appendix K: 4th Phase Data analysis	250
Appendix L: Interim integration process model questionnaire.....	255
Appendix M: Internal and external validation study's	258

List of Tables

Table 1.1 Summary of methodologies used throughout the research dissertation.....	4
Table 4.1 Most common integration approaches	47
Table 4.2 Post-acquisition integration.....	52
Table 6.1 Case study organisations (Details anonymised).....	70
Table 6.2 Contribution to knowledge of key authors.....	75
Table 7.1 Pilot participant organisation characteristics.....	77
Table 8.1 Stages and Processes involved in qualitative data analysis.....	93
Table 8.2 A Sample of the 1 st phase of coding (open-coding).....	96
Table 8.3 2 nd Phase of Data analysis – Categorisation of codes.....	97
Table 8.4 3 rd Phase of Data analysis – Data reduction Part 1.....	98
Table 8.5 3 rd Phase of Data analysis – Sample of data reduction Part 2.....	99
Table 8.6 Sample of 4 th Phase of data analysis – In-case and Cross-case analysis (Nvivo matrix).....	100
Table 9.1 In-Case organisation characteristics.....	106
Table 9.2 Table explaining layout of Chapter 9 tables and figures.....	109
Table 9.3 Stages and criteria within those stages of the conceptual acquisition integration process model that were carried out in the In-case organisations integrations.....	110
Table 9.4 Stages and criteria within those stages emanating from 3 rd phase coding and early 4 th stage In-case coding that have been derived from field research.....	110
Table 9.5 Final complete acquisition integration process model stages and criteria	112
Table 9.6 Background factors: In-case organisational analysis	114
Table 9.7 Background factors: In-case organisational analysis illustrative quotations	115
Table 9.8 Pre-acquisition factors: In-case organisational analysis of acquisition context stage including illustrative quotations.....	120
Table 9.9 Post-acquisition: In-case organisational analysis.....	140
Table 9.10 Post-acquisition: In-case organisational analysis illustrative quotations...	141
Table 9.11 Post-acquisition: Review and feedback In-case analysis.....	148
Table 9.12 Post-acquisition: Review and feedback illustrative quotations.....	149
Table 10.1 Demographic details of external validation participants.....	156

List of Figures

Figure 1.1 Structure and organisation of study up to the literature synthesis in Chapter 5.....	1
Figure 1.2 Structure and organisation of study from the research design and methodology in Chapter 6 onwards	6
Figure 3.1 A process perspective on corporate acquisitions (Jemison & Sitkin, 1986a)	25
Figure 3.2 M&A Implementation framework (Schweiger et al., 1993).....	26
Figure 3.3 Pablo (1991) framework.....	28
Figure 3.4 The Pathfinder model: The wheel of fortune (Ashkenas, DeMonaco & Francis, (1998).....	30
Figure 3.5 Ellis (2000) framework.....	31
Figure 4.1 Conceptual stages in the acquisition integration process according to accepted literature.....	36
Figure 4.2 Key factors influencing the development of the acquisition's strategy.....	37
Figure 4.3 Conceptual pre-acquisition processes according to accepted literature.....	41
Figure 4.4 Post-acquisition stages based on accepted theory.....	44
Figure 5.1 A complete conceptual process model for acquisition integration success...	54
Figure 6.1 Research design and methodology roadmap	60
Figure 8.1 Roadmap of actual data collection and analysis process undertaken in study.....	87
Figure 9.1 Strategic high-level analysis stage and criteria (By author).....	121
Figure 9.2 Strategic high-level: In-case analysis including illustrative quotations.....	122
Figure 9.3 Detailed candidate analysis stage and criteria (By author)	125
Figure 9.4 Detailed candidate analysis: In-case analysis including illustrative quotations	126
Figure 9.5 Pre-acquisition plans (strategy) for post-acquisition integration (By author) i.e. pre-acquisition planning onion	129
Figure 9.6 Pre-acquisition plans for post-acquisition integration: In-case analysis including illustrative quotations (Part 1).	130
Figure 9.7 Pre-acquisition plans for post-acquisition integration: In-case analysis including illustrative quotations (Part 2)	131
Figure 9.8: Negotiation process stage and criteria (By author)	135
Figure 9.9 Negotiation process: In-case analysis including illustrative quotations.....	136
Figure 9.10 Post-acquisition integration stages (part thereof) (By author)	139

Figure 9.11 Final acquisition integration process model	151
Figure: 10.1 A comprehensive, holistic people integration process model (Model TP) (Steynberg & Veldsman's, 2011).....	154
Figure 10.2 Final complete acquisition integration process model (part 1 of 4)	164
Figure 10.2 Final complete acquisition integration process model (part 2 of 4).....	165
Figure 10.2 Final complete acquisition integration process model (part 3 of 4).....	166
Figure 10.2 Final complete acquisition integration process model (part 4 of 4).....	167
Figure 11.1 Acquisition planning and integration implementation 'onion'	186

Glossary of Key Terms

Acquisition Context Factors

Those factors in a firm's internal environment (strategy, structure, culture, experience, etc.) that are crucial to understanding what may lead to acquisition success (Ellis, 2000).

Alignment / Consistency

These two terms are interchangeable and refer to a condition of congruity of goals / objectives / targets and priorities among the individuals within an organisation (Roberts, 1997, p. 22).

Constant Comparison

A researcher codes text for words or phrases that stand out while constantly comparing codes with each other in the search for concepts and themes (Savin-Baden & Major, 2013, p.43)

Critical Success Factors (CSFs)

Refer to a limited number of areas in which satisfactory results will ensure successful competitive performance for the organisation. CSFs are the few key areas where 'things must go right' for the business to flourish and managers' goals to be attained (Roberts, 1997, p.22 citing Bullen and Rockart, (1991); Rockart, (1979)).

Cultural Fit

"Cultural 'fit' between the two organisations refers to a match between administrative, cultural practices and personnel characteristics" (Lemieux & Banks, 2007, p.1418).

"Is philosophy, methods, styles and values" (Mirvis & Marks, 2001, p.91).

Extent to which the beliefs, values and philosophy shared by the organisational members of the two firms are similar (Ellis, 2000).

Failure

Non-performance of something required or expected (Collins, 2012).

Not achieving the strategic intent.

‘Fit’

“Fit” is posited to influence post-acquisition performance through its effect on the firm’s ability to integrate the previously separate firms (Jemison & Sitkin, 1986).

“Goals”, “Objectives” and “Targets”

Are the purposes toward which an endeavour is directed. Goals may be explicitly stated or implicitly apparent. (Roberts, 1997, p.22).

Integration

The making of changes in the functional activity arrangements, organisational structures and systems and cultures of combining organisations to facilitate their consolidation into a functioning whole (Pablo, 1994).

Integration Approach

General term to distinguish between qualitatively different integration efforts where firms are transformed in systematically different ways, thus creating different tasks and integration challenges (Ellis, 2000).

Integration Level

The degree of post-acquisition change in an organisations technical, administrative and cultural configuration. (Pablo, 1994).

Integration Strategy

Integration serves to co-ordinate and control the activities of the combining organisations to realise the potential of the interdependencies, which motivated the acquisition (Shrivastava, 1986).

Organisational fit

“Examines the compatibility of reward systems, management styles and other elements of structure and processes of the acquiring and acquired firm” (Buono & Bowditch, 1989).

Organisational fit is measured in terms of differences in reward and evaluation systems (Datta, 1991).

Is structures, systems and people (Mirvis & Marks, 2001, p.91).

Extent to which the reward systems, administrative practices, structures, systems, processes, etc. of the two firms are compatible (Ellis, 2000).

Organisational Culture

Commonly defined as the set of beliefs and values shared by organisation members, encompasses characteristics such as employee attitudes and behaviours (Nahavandi & Malekzadeh, (1988); Schein, (1985)).

Cultural similarities among the two firms and/or the acquiring firm's tolerance for multiculturalism serves as an indicator of the integration level used in acquisitions (Ellis, 2000).

Organisational Task

“Is the preservation of any unique characteristics of an acquired firm that are a source of key strategic capabilities” (Pablo, 1994, p.808).

Process Model

A process model is an approach for codifying, visually depicting, analysing and improving how businesses conduct their operations by defining the entities, activities, enablers and relationships along control flows (Curtis et al. 1992).

It is a model of a process, i.e. it describes the process that the organisation has to go through.

Strategic Fit

Focuses on the relatedness of firms involved in acquisitions (Shelton, (1988); Singh & Montgomery, (1987)).

“The basic premise underlying the notion of strategic fit is those firms operating in similar product markets gain synergistic benefits when engaging in an acquisition. This synergy occurs as firms operate more efficiently and effectively after an acquisition than either could do as separate entities. Moreover, higher levels of relatedness are likely to facilitate the acquired firm's ability to achieve economies of scale and scope via

combining and/or sharing resources and capabilities. As a result, related mergers are thought to create more value for shareholders and generate superior financial returns when compared to unrelated business combinations”. (Ellis, 2000).

“The better the strategic fit between the acquiring and acquired firm – that is, the more the respective environments of the two firms have in unifying features – the greater should be the performance gain to the acquired firm” (Lubatkin, 1983, p.218).

Extent to which products and markets of the two firms are similar (Ellis, 2000).

Strategic Task

“The successful sharing or exchange of the critical skills and resources that form the foundation for value creation” (Pablo, 1994, p.808).

Success

“The realisation of the potential envisaged by the partners in entering the merger” (Pablo & Javidan, 2002, p.207).

“Central requirements for success are an effective strategic intent and effective organisational alignment” (Pablo & Javidan, 2002, p.207).

Vision

A vision of what the company aspires to be and ‘rules’ that define appropriate behaviour (Marsh, 2005, p.11).

Complete Acquisition Integration Process Model

This model is based on the premise that the acquisition integration process should commence in the pre-acquisition stage and include pre-, post and performance management phases in the integration process. Theory suggests that the acquisition strategy drives the integration process via strategic, organisational and cultural fit factor alignment throughout these pre-, post and performance phases. Complete does not mean perfection, it just means that it incorporates pre-, post and performance phases of the integration process, i.e. from inception to completion or end-to-end.

List of abbreviations

B.E.R.A - British Educational Research Association

C.E.O – Chief Executive Officer

C.F.O - Chief Financial Officer

C.O.O - Chief Operations Officer

C.S.F. – Critical Success Factor

C.T.O – Chief Technology Officer

F.T.C. – Federal Trade Commission

K.P.I. – Key Performance Indicator

M&A - Mergers and Acquisitions

M.N.E - Multi-National Enterprise

N.C.B. – National Commercial Bank (Ireland)

W.B.S. – Work Breakdown Structure

Chapter 1 Introduction to the study

In this chapter the author sets the scene for merger and acquisition (M&A) integration research in a contemporary context. It examines M&A integration failures and focuses on how the acquisition strategy can be used to improve integration and subsequent success through the development of an acquisition integration process model. See Figure 1.1. for the structure and organisation of the study up to the literature synthesis in Chapter 5.

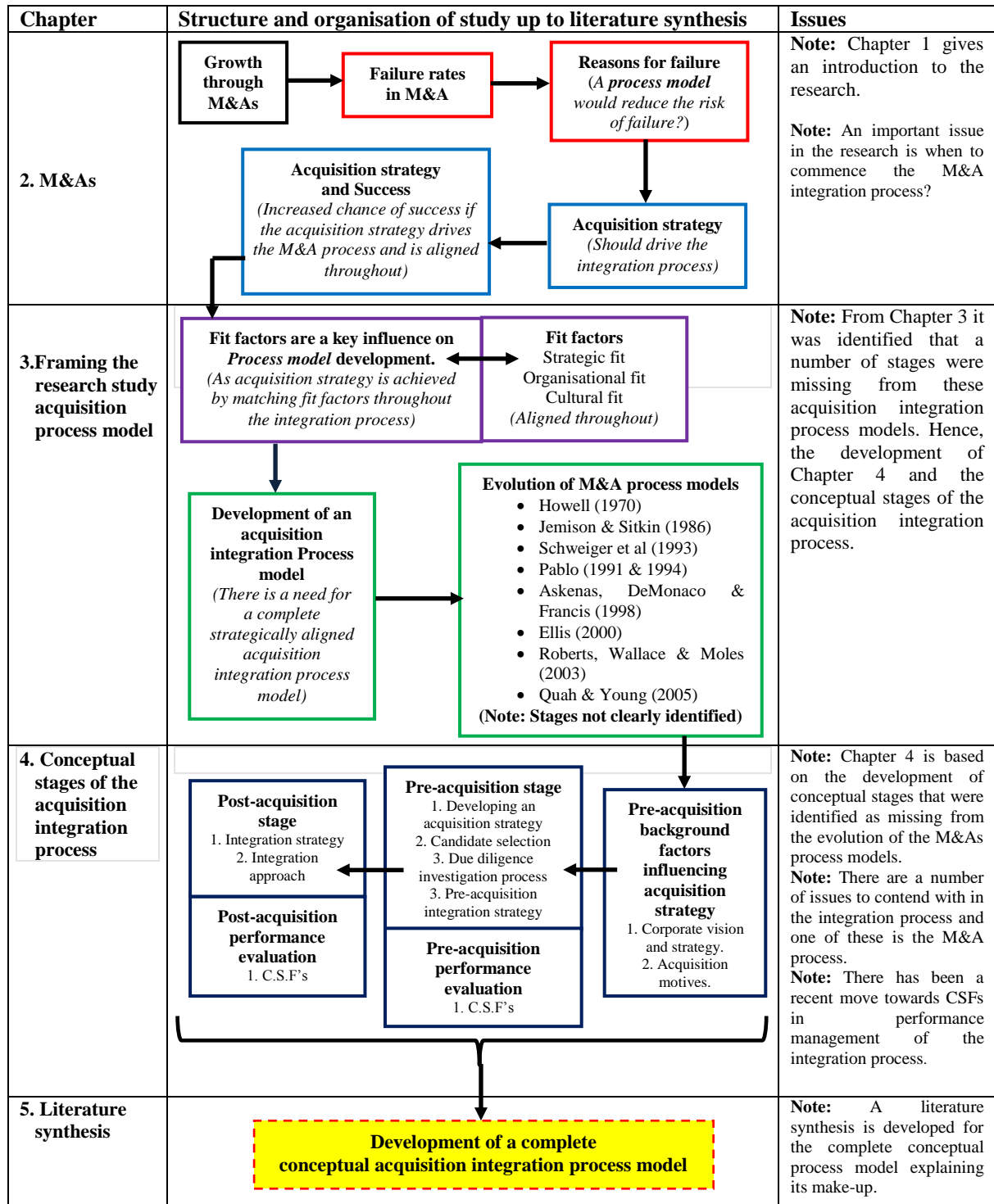


Figure 1.1 Structure and organisation of study up to the literature synthesis in Chapter 5

Published literature indicates that acquisitions tend to be more successful when the acquiring organisation has a clearly articulated acquisition strategy and when the activities of the target operation are aligned with this acquisition strategy. Those acquisitions that are undertaken for strategic reasons are founded on the premise of synergies and in order to “realise these synergies they need to successfully share or exchange those critical skills and resources that form the foundation for value creation” (Pablo & Javidan, 2002, p.207). Therefore in order to derive the acquisition strategy benefits during the subsequent integration process, strategic, organisational and cultural fit factors need to be aligned throughout, “as fit is posited to influence post-acquisition performance through its ability to integrate the previously separate firms” (Jemison & Sitkin, 1986b, p.107). Hence acquisitions that ‘fit’ parent organisation capability and that are consistent with corporate goals (Kitching, 1967) have a greater chance of realising their acquisition strategy.

In addition the literature shows that the M&As process is a complex one (Jemison & Sitkin, 1986 a,b; Pablo, 1994; Ellis, 2000) in which organisations tend to lose focus, due in part to the lack of a complete acquisition integration process model to guide them. A number of process models (Howell, (1970); Jemison & Sitkin, (1986a); Pablo, (1991 & 1994); Schweiger et al., (1993); Askenas, DeMonaco & Francis, (1998)) have been found to be deficient in a number of elements of the integration process, particularly in the inter-connectedness of a variety of integration factors i.e. strategic, organisational and cultural fit, in addition to, the fact that they are not complete models *per se* i.e. they don’t incorporate all phases or stages, such as pre-, post- and performance management.

Therefore in this exploratory study the author initially develops a complete conceptual acquisition integration process model through a thorough literature review, which is then modified, based on the outcomes of the field research, to a complete acquisition integration process model. The purpose of this model is to provide a structured approach to thinking, so as to guide organisations through the complex process of acquisition integration from pre-acquisition planning to post-acquisition implementation including review and feedback. This process model is based on the premise of the acquisition strategy driving the integration process.

The next phase in the study determines the most appropriate research design and methodology to achieve the research aims and objectives as set out below.

1.1 Research design and methodology

In his research the author aims to develop a complete acquisition integration process model that will lead to increased chances of integration success and appropriate research design and methodological elements will be adopted to facilitate the achievement of this outcome. See Table 1.1 for a summary of the methodologies used throughout the research dissertation. The research title, question, aims and objectives are listed below.

Research title

A process model for acquisition integration success.

Research question

How do acquiring organisations align their acquisition strategy throughout the complete acquisition integration process?

Research Aim

To develop a complete acquisition integration process model for improved acquisition integration.

The research objectives were identified as follows:

- To establish the need for a complete acquisition integration process model.
- To investigate how acquiring organisations address strategic, organisational and cultural alignment and fit.
- To develop a complete acquisition integration process model.

In order to achieve these objectives the research study is primarily exploratory and interpretative in nature, with a qualitative approach being adopted to establish how organisations in real-world situations align their acquisition strategy throughout the complete acquisition integration process. See Figure 1.2 for the structure and organisation of study from the research design and methodology in Chapter 6 onwards.

Four case study organisations - pharmaceutical, I.T. financial and media - were used to gather data through documentary evidence relevant to integration, followed by a series of semi-structured interviews to ascertain how organisations go about acquisition integration in a real world setting.

Chapter	Summary of Methodologies used throughout research dissertation	Issues
6. Research design and methodology	<ol style="list-style-type: none"> 1. A pragmatic qualitative research stance has been adopted with the aim of linking 'theory and practice'. 2. In addition a qualitative research approach was adopted to gather rich deep data about the M&A integration process as it provided strong potential for revealing the complexity of the M&A process. 3. Furthermore a case study approach was adopted as the cases provided the depth of investigation that was required in this exploratory study. Case studies also allowed the researcher to consider the complexities of the acquisition process. 4. Two methods were adopted for this exploratory qualitative study and they were based on interviews and documents. Using these two methods allowed the data to be triangulated. 5. A number of theoretical sampling criteria were used to select the case organisations. 14 organisations were asked to participate using these criteria, but only 4 organisations took up the offer to participate in the study. 	<ol style="list-style-type: none"> 1. A quantitative approach is not suitable in this instance as averages and frequencies would only provide a very limited understanding of the M&A processes. 2. A number of methods are suitable for case studies, but two methods were deemed inappropriate and these were observation and focus groups. <p>Note: The requirement to use two methods was only uncovered in the pilot study through 'trial and error' (Savin-Baden & Major, 2013)</p>
7. Pilot Study	<p>Three pilot semi-structured interviews were carried out. Data was analysed using constant comparison analysis.</p> <p>Note: In analysing the pilot study data it was discovered that a number of interviews needed to take place in each organisation and that an additional method was required.</p>	'Trial and error' approach (Savin-Baden & Major, 2013).
8. Data collection and analysis	<ol style="list-style-type: none"> 1. Data was gathered using semi-structured interviews (recorded) and documents. 2. Data was transcribed. 3. Manual coding was undertaken on organisation B's data using constant comparative analysis and then a decision taken to use a computerised package (CAQDAS / Nvivo). 4. Data was further analysed using six rounds of coding and data reduction (see Figure 8.1 for details). 5. Further semi-structured interviews were carried out (i.e. recorded) with each case organisation to verify the results and interim process model appropriateness (see Appendix H for interview questions). 6. These interviews were analysed using constant comparative analysis and further data reduction was carried out to derive a final complete acquisition integration process model. 	
9. Results and discussion	<ol style="list-style-type: none"> 1. In-case and Cross-case analysis was carried out on the data to derive a complete M&A integration process model (see Chapter 9 for detailed analysis of the process used). 	
10. Final complete process model and synopsis	<ol style="list-style-type: none"> 1. A review of the recently published relevant literature was undertaken. 2. An internal validation study was carried out with the In-case organisations to validate the final complete M&A integration process model appropriateness (see Appendix J for modified McGregor, (2006) framework). 3. In addition, an external validation study (i.e. new organisations not involved in the original process) was carried out with 8 senior executives, again using the McGregor (2006) framework to test the appropriateness and practicality of the final complete acquisition integration process model. 4. A high-level synopsis of the complete process model was then undertaken. 	<p>Note: Convenience sampling was adopted in the selection of the eight organisations for the external validation study.</p>

Table 1.1 Summary of Methodologies used throughout the research dissertation

In addition these two methods were used to aid data triangulation. Interviews were transcribed and coding was carried out on the total data to conceptualise and make connections. This data was analysed via constant comparative analysis, to provide results to determine what happens in reality. The results of this process were combined with the conceptual process model developed in the literature synthesis to develop an interim acquisition integration process model.

This interim process model was subsequently tested by revisiting the case organisations and confirming the efficacy of their process through a series of semi-structured interviews which were coded and analysed using constant comparative analysis and presenting each In-case organisation with an interim model to confirm its suitability and applicability. From this analysis the interim model was refined using appropriate data analysis techniques and a final complete acquisition integration process model was developed for successful integration. In addition the author revisited the literature and updated it to ensure the relevance of the research findings and ground the study in the current literature base. The final complete acquisition integration process model was subsequently validated through an internal and external validation study with the In-case organisations and eight external senior executive acquisition experts.

While the sample set may seem small this is not uncommon in studies of this type, due in part to the in-depth access requirements and confidential nature of the data and strategies employed.

1.2 Research limitations

There are a number of limitations to this thesis. The main limitations revolve around the number of case organisations, which were four, and the number of interviews undertaken, which were 16. These limitations mean that the process model that is developed throughout this research is not generalisable but may be transferrable. A comprehensive discussion on these limitations can be found in the Conclusions and recommendations for future research in Chapter 11.

Chapter	Structure and organisation of study from the research design and methodology in Chapter 6 onwards	Issues
6. Research design and methodology	<p>Development of a complete Conceptual acquisition integration Process Model (Note: Not included in this chapter. See Figure 1.1. & Chapter 5 for details)</p> <p>Research Design and Methodology Research title / question / aim / objectives Research limitations</p> <p>Pragmatic Qualitative Research</p> <p>Case studies (Adopting theoretical sampling criteria in the selection of case studies)</p> <p>Data Collection Methods 1. Semi-structured interviews 2. Documents</p> <p>Data Analysis 1. Coding (using constant comparison technique)</p>	<p>Quality of research 1. Methodological coherence 2. Triangulation</p> <p>Ethical considerations</p> <p>Expected contributions</p>
7. Pilot study	<p>3 Pilot interviews (Selected using convenience sampling)</p> <p>Data Analysis 1. Coding (using constant comparison technique)</p>	<p>A trial and error approach was adopted.</p> <p>Note: Identified that more interviews were required in each organisation and that another data collection method was needed (i.e. documents).</p>
8. Data collection and analysis	<p>Data Collection 1 4 Case organisations Interviews & Documents</p> <p>Data Analysis 1 Constant comparative technique. No. of phases of coding. In-case and Cross-case analysis. Interim process model.</p> <p>Data Analysis 2 Constant comparative technique</p> <p>Data Collection 2 Interviews</p>	<p>Note: Refer to Figure 8.1 for Roadmap of actual data collection and analysis process undertaken in the study.</p> <p>Implementation of the research studies ethical stance.</p>
9. Results and discussion	<p>Complete Process Model (Note: Discuss results of In-case and Cross-case analyses and how they led to the development of the complete process model)</p>	<p>Note: See Chapter 9 for various In-case and Cross-case figure and tables for detailed insight.</p>
10. Final complete acquisition integration process model	<p>A review of the recently published literature</p> <p>Results of an Internal and External validation study</p> <p>Literature Re-appraisal</p> <p>Final Complete acquisition integration Process model (Note: Complete with High-level synopsis)</p>	<p>Note: An internal validation study was carried out with the In-case participants and an external validation study was carried out with 8 external senior executives who have experience of M&A integrations.</p>
11. Conclusions and suggestions for further research	<p>The Research Limitations</p> <p>The verifiability and reliability of data collection and analysis process</p> <p>Conclusions. Meeting the research objectives</p> <p>Contribution to Knowledge</p> <p>Suggestions for Further research</p>	<p>Note: The contribution to knowledge that this study offers is the development of a complete acquisition integration process model that aligns acquisition strategic objectives throughout the entire integration process.</p>

Figure 1.2 Structure and organisation of study from research design and methodology onwards

1.3 Summary of main findings

The author found that organisations need to start thinking about integration from the outset and that this integration process needs to be project managed throughout (Askenas, DeMonaco & Francis (1998) and Teerikangas et al. (2011)). See Figure 1.2 for structure and organisation of study from research design and methodology in Chapter 6 onwards. In addition the development of a process model (Howell (1970); Kim (1998) and Handler (2006)) would provide much needed structure to guide the integration process and keep it on track (Gates & Very (2004)).

The various stages involved in the developed, complete acquisition integration process model consist of a strategic high-level analysis incorporating a number of elements that occur simultaneously, from the parent's corporate vision and strategy (Hinterhuber (2001) and Marsh (2005)), the acquisition purchasing motive (Lubatkin (1986) and Cote, Langlely & Pasquero (2005)) to the acquisition strategy (Kitching (1974); Rappaport (1998); Pablo (1994); Marks & Mirvis (2001) and McDonald, Coultard & de Lange (2006)). The outcome of this analysis is the development of a small number of strategic acquisition objectives (Venema (2012)). Subsequently a detailed candidate analysis is undertaken and this involved assessing the unique weighting of pre-acquisition fit factors (Ellis (2000) and Pablo (1994)), in conjunction with a fit factor analysis (Kitching (1974); Jemison & Sitkin (1986); Pablo (1998); Epstein (2004) and Papadakis (2007)) and a phased due diligence process (Kim (1998); Lynch (2001) and Perry & Herd (2005)). The product of this analysis is the refinement of a small number of strategic acquisition objectives (Venema (2012)), which organisations align throughout the complete integration process in order to improve the chances of integration success.

From the refined strategic acquisition objectives (Venema, 2012) an organisation can then undertake the development of pre-acquisition planning for post-acquisition integration. The first decision required is to determine the most appropriate integration approach (Birkinshaw, Bresman & Hakanson (2000); Haspeslagh & Jemison (1991); Hubbard (1997); Lynch & Lind (2001); Pablo (1994); Schweiger et al. (1993) and Zaheer, Casterner & Souder (2013)). Subsequent to this the organisation needs to develop high-level short, medium and long-term plans, followed by specific integration

plans from communication, risk management, hard and soft cultural plans, etc. Following on from the above is the development of task integration plans, incorporating strategic, organisational and cultural tasks. The most important element here is the weighting of the fit factors (Jemison & Sitkin (1986), Pablo (1994) and Ellis (2000)), as each element does not require the same level of actual integration and hence, the weightings may be different. Also, this phase is different to the earlier detailed candidate analysis phase of the process as cultural and organisational tasks may be weighted higher, since the strategic and financial aspect have been satisfied in the earlier analysis.

Subsequently detailed task integration plans (Schroder (2012); Searby (1986) and Shrivastava (1986)) were developed incorporating S.M.A.R.T. criteria. This involved developing a specific integration task with a measurable element, i.e. critical success factor. A person was assigned the responsibility of managing the integration task and a risk factor was assigned to the task along with a time to completion. Each of these elements were developed in conjunction with a very detailed communication plan, as the key to acquisition integration is communication, communication, communication (Mirvis & Marks (2001)).

The next phase in the complete process model was the development of a negotiation strategy and this incorporated the pre-acquisition plans for post-acquisition integration developed above, any unique sale aspects such as market position, economic climate and type of sale. In addition it included any strategic negotiation issues, for example, integration issues, service level agreements and transaction service agreements. This phase was very important to post-acquisition integration as the organisation needs to be aware of the outcomes of the negotiation to the actual integration process.

Following on from the above, the deal is closed and post-acquisition implementation commences. This involved a number of elements. The first element was the implementation of the pre-acquisition plans to get the integration underway. But as the organisation may not have been able to carry out a complete review of the target in the pre-acquisition stage due to various reasons, it needed to do this immediately; hence a verification and review process was undertaken. This process involved verifying that the pre-acquisition plans were correct, reviewing the complete organisation and carrying out a review of the organisational cultural. In addition the organisation may not have

been able to develop detailed plans in the pre-acquisition stage and now post-acquisition and having carried out a number of reviews, it can expand on, or develop detailed plans.

Typically at this early stage of the integration process a softer level of integration (Pablo (1994); Askenas, DeMonaco & Francis (1998) and Ellis (2000)) was undertaken as the parent tries to get to know the acquired organisation. Subsequent to these elements being completed the parent organisation carried out a post-integration review against the strategic acquisition objectives and from this they normally develop long-term strategic integration plans that involve a deeper level of integration (Pablo (1994); Askenas, DeMonaco & Francis (1998) and Ellis (2000)) as they are now fully familiar with the acquired organisation. In addition the parent reviewed the complete integration process against the strategic acquisition objectives and modified the process model based on lessons learned (Roberts, Wallace & Moles (2003)) for the next acquisition.

In project managing the complete integration process from inception to completion, there were a number of extraneous strategic risks that the parent organisation needed to be aware of, that could cause the integration process to drift of course. These included, the M&A process (Jemison & Sitkin (1986); Pablo (1994) and Ellis (2000)), market forces risks, competitive forces risks, parental organisation market pressure risks and the approach to luck that the organisation adopted. As each acquisition is unique (Howell (1970); Jemison & Sitkin (1986); Pablo (1994); Kim (1998) and Ellis (2000)) these elements need to be carefully monitored and controlled.

1.4 Organisation of the thesis

The thesis is divided as follows: in Chapter 1 the author sets the scene for M&As integration research in a contemporary context. In Chapter 2 the author examines why M&As are undertaken, their high failure rates and in particular integration failures. The writer then considers the importance of the acquisition strategy and how it can be used to increase the chances of integration success. In Chapter 3 the author evaluates in a chronological manner the development of complete acquisition integration process models based on the acquisition strategy which is at the core of these models. In Chapter 4 the author analyses the various conceptual stages of the acquisition integration process from pre-to post-acquisition integration and performance evaluation. In Chapter 5 the author synthesises the various literature and process models by developing a complete conceptual acquisition integration process model, which is the

focus of this study and its subsequent development and appraisal. A synopsis of the conceptual process model is also developed.

In Chapter 6 the author discusses the research methodology appropriate to answer the research question, from the qualitative case study methodology to the documentary and semi-structured interview methods used to collect data, to its analysis and interpretation. In Chapter 7 the author analyses the pilot study, while in Chapter 8 he discusses how the data was collected through semi-structured interviews and documents and how this data was coded and analysed using constant comparative analysis. In Chapter 9 the author outlines the results of the In-case and Cross-case analysis and shows how this analysis was used to develop the final process model in conjunction with the conceptual process model and the pertinent literature. In Chapter 10 the author carries out a review of the recently published literature and discusses the results of both an internal and external validation study. The writer also carries out a literature re-appraisal against the conceptual process model and a high-level synopsis of the final complete acquisition integration process model was developed. In Chapter 11 the author discusses the limitations of the study and draws conclusions from the research. In addition the writer outlines the literature and managerial implications, the contribution to knowledge of the research and he then makes suggestions for further research to improve the acquisition integration process model.

Chapter 2 Mergers and Acquisitions (M&As)

In the previous chapter the author outlined the scope of this research study and how organisations' lack a structured approach to acquisition integration and how the development of a process model increases the chances of integration success. In this chapter the author outlines the high failure rates in M&As and some of the reasons for these failures including the lack of a process model. In addition the author will suggest that by developing an acquisition strategy at the earliest possible time in the M&A integration process through fit factor elements that the rate of integration success ought to increase.

2.1 Failure rates in mergers and acquisitions

In the current highly competitive business landscape organisations are under immense pressure to improve growth and performance targets. This growth agenda can be achieved by organic means, but especially in these recessionary times organic growth can be too-slow and can result in a loss of market position or competitive advantage due to the need for constant innovation and change management.

The main alternative for achieving growth, especially within a short timeframe, is through M&As. Growth in this area has been phenomenal over the years, as organisations used M&As as a means of achieving their growth agendas (Lynch & Lind, 2002). It would appear at first glance that M&As offer great value, in that they achieve performance results three to five times more quickly than other strategic options (Kitching, 1974) and often offer critically important speed of entry to new market spaces.

However not all M&As are successful and in fact their failure is surprisingly common. Mercer management consultants (1996) found that 57% of merged organisations' return to shareholders lagged behind the average for the industry and hence they had a damaging impact on shareholder value. Price Waterhouse Coopers (2001) found that two thirds of buyers' stock dropped appreciably on announcement of an acquisition and that more than a year later one third of these losers still lagged the levels of their peers. Similarly, research carried out at A.T. Kearney (2002) management consultants found

that 58% of M&As do not create positive shareholder returns, while Cartwright & Cooper (2005) found that 83% of all deals fail to deliver shareholder value, with Harding & Rovit (2007) finding that 53% of all deals actually destroyed value. Hence, when measuring failures against an organisation's ability to out-perform the stock market or to deliver stock increases, then failure rates of between 60 and 80% are typically quoted (Tetenbaum, 1999, p.23; Marks and Mirvis, 2001, p.80; Chatterjee, 2009).

Further research into acquisitions has attempted find out if different classifications of acquisition would have a better chance of success. The Federal Trade Commission (F.T.C.) in the United States has attempted to separate acquisitions out in to horizontal (i.e. domain strengthening), vertical (i.e. domain extension), conglomerate, etc. Note: Conglomerate acquisitions are not the subject of this research. Kitching (1974) found that 60% of all horizontal acquisitions were successful, while 53% of all vertical acquisitions were successful. In addition Papadakis (2007) identified that horizontal acquisition of competitors involve far lower execution risks as they do not ask for a new set of strategic and operational skills, thus we might expect an increasing success rate.

However, there are a number of arguments against classifying acquisitions in this manner. Howell (1970) believed that one of the reasons for not using the F.T.C. classification system is that "he did not see acquisition oriented managers using or even thinking in terms of F.T.C. classifications". Kitching (1967) identified that the type of acquisition is not the determining factor in success or failure of an acquisition, and Lubatkin (1983) acknowledged that classifying acquisitions along these lines limits management's ability to provide insights into the complex nature of relatedness. Indeed Lubatkin (1983) recognised that by classifying acquisitions in this way, that one cannot indicate why one horizontal acquisition is more successful than another, since it cannot isolate why these mergers might have different degrees of success.

Kitching (1974) believes the primary cause of success must be found elsewhere, other than the way acquisitions are classified and Lubatkin (1987) would agree with this, as he found that the F.T.C. classification system does not take into account other possible sources of synergy, such as organisational strategy, culture or management philosophy. Quah & Young (2005) likewise support Kitching (1974) and Lubatkin (1987) as they found that the F.T.C. classification system does not consider the importance of

managing cultural differences during post-acquisition process, nor does it allow for the flexibility of approach to reflect changing circumstances.

Hence there are arguments for and against grouping acquisitions under the generic F.T.C. classification umbrella with a view to isolating successful versus less successful acquisitions. Indeed the way to go might be to treat each acquisition as unique. This will be discussed later in the study. But one thing that is certain, there has been little change in failure rates over the last thirty years, as a recent Meta-review of the empirical data from the literature by Homburgs & Bucerius's (2006) found that if history is any guide, more than half of all acquisitions will result in failure. In addition divestments have been found to range from one out of every three M&As (Shrivastava, 1986) to 44% (Kaplan and Weisbach, 1992), as it may be wise to divest a business rather than to continue to suffer losses (Hitt et al., 2009).

2.1.1 Reasons for M&A failures

M&A failure may occur for a wide variety of reasons and are often **inter-related** and difficult to distinguish (Hubbard, 1997). They include the lack of long term planning (Balmer & Dinnie, 1999), diversification into unrelated areas, acquisition of a competitor i.e. a horizontal move where the integration may be complex, acquisition of a supplier or distributor i.e. a vertical acquisition where the newly formed organisation will now be potentially faced with competing against its own existing clients, poor evaluation of hard financial and soft organisational issues that are critical to success (Epstein, 2005), to the failure of certain C.E.O.'s to have a clear understanding of how the acquisition can contribute to their organisations' long-term benefit (McDonald, Coultard & de Lange, 2005).

However one third of all M&A failures are caused by poor integration (Kitching, 1974) as most organisations assume that once the acquisition is completed then the benefits will follow automatically (Shrivastava, 1986), but this is not necessarily the case. There are numerous reasons cited for these failures, from diverse M&A motives complicating the integration process (Shrivastava, 1986), inadequate post-acquisition integration, a lack of planning (Gates & Very, 2003) and poor integration management (Lynch & Lind, 2002). Likewise research carried out by Marks and Mirvis (2010) found that "study after study shows that execution is the real culprit".

2.1.2 One of the main reasons for M&A integration failures

Howell (1970) stated that the reasons why executives reverse their integration decisions so frequently and relationships disintegrate at the integration stage is that no adequate conceptual scheme exists with which to think through and plan the acquisition process in its entirety. Jemison & Sitkin (1986 a, b) support this view as they found that the M&A process is the cause of a lot of integration problems and failures and additional support is provided by Hunt (1987), who found that only 20% of acquisitions had a detailed operational plan in place of how the integration would proceed and that subsequently a mismatch of expectations could develop. He also identified that over two thirds of target organisations thought the buyer had a plan in place.

Subsequent support for these finding are provided by Gates & Very (2003) who found that 45% of organisations in their sample set of 53 respondents declared that their organisation used a formal process for tracking and reporting activities, 42% had a partial process and 13% had no process or plan. Further support is provided by Papadakis (2007) who found that 60% of organisations had no specific plan before the merger and that 38% had no specific plan even after the merger. In addition Gates & Very (2003) suggest that the relatively high failure rates of acquirers could be associated with the lack of precise control of the integration process as acquirers spend a lot of time and money analysing and negotiating with targets, but tend to neglect the integration planning and control element.

Hence, there is a need for a process model to guide management through the complex integration process. Indeed Greenwood, Hinges & Brown (1994) and Schweiger & Goulet (2000) have called for the gap between pre- and post-acquisition integration to be bridged. While Kim (1998) and Handler (2006) suggest that a uni-dimensional or holistic process is adopted for the complete integration process instead of the existing fragmented approach. In addition Marks & Mirvis (2010) found from their 30-year research programme that the processes used to put companies together is integral to a deal's success versus failure, while Teerikangas, Very & Pisano (2011) believe that securing the acquisitions success starts from the moment the two sides meet.

Hence in this study the author will propose a process model for acquisition integrations, which reduces the risk of failure due in part by promoting the acquisition strategy.

2.2 Acquisition strategy

Birkenshaw, Bresman & Hakanson's (2000) claim from their analysis of M&As in the R&D operations of three multinational case organisations between 1991 and 1996 involving 55 interviews and 219 questionnaires involving both acquiring and acquired organisations, that the starting conditions for any merger has to be the acquisition motives which they define as the acquisition strategy.

It should be noted that many authors in published literature use the terms "M&A strategic intent", "acquisition strategic intent" and "acquisition strategy" interchangeably. However strategic intent could also mean the corporate organisation's overall strategic purpose, whereas in the context of M&A research literature this is often used instead of the M&A strategic intent or acquisition strategy. In this work the term "acquisition strategy" will be used to capture this concept.

2.2.1 Success and acquisition strategy

Published literature in this area suggests that by developing a strategy for growth, rather than simply reacting to M&A opportunities, then the likelihood of M&A success will be greatly increased (Kitching, (1967), Nolop (2007)). In addition it has been found that where managers were successful in M&As they believed that strategic planning and the development of a thorough acquisition strategy was helpful (Kitching, 1974). Furthermore, it has been established that M&As can give great value, but that their outcome can be very uncertain (Kitching, 1974).

Indeed, many experts support these findings and have expanded on them. For example, central requirements for success are an effective strategic intent and effective organisational alignment (Pablo & Javidan, (2002); Swaminathan, Murshed & Hulland, (2008)). Equally, Epstein (2005) agrees with both Kitching and also Pablo and Javidan's findings and he established that successful M&As "develop a clear strategic vision that leads to the creation of significantly higher long-term value" (p.46).

In this research study the author draws from these findings that the likelihood of success is greatly increased if good strategic planning is carried out.

2.2.2 Commencement of the M&A integration process

The integration process should ideally not begin post-acquisition (Askenas, DeMonaco & Francis, 1998), but rather from the moment the M&A is considered a possibility and that it should be phased over time to avoid sudden disruption (Shrivastava, 1986). Similarly, Epstein (2004) found from his research into JP Morgan Chase and analysis of documentation on their merger integration, that if thinking about integration is left until after the deal then the chances of success are undermined from the start.

Preceding and subsequent research has not challenged the above findings and accordingly in this study the author will consider the possibility that the integration process should commence at the earliest possible stage i.e. pre-acquisition stage, as this would facilitate management in carrying out the post-acquisition integration process.

2.2.3 Fit: A key influence on process model development

It has been contended in the literature that one way to make the M&A integration process more likely to work is to consider the quality of match or ‘fit’ between the two organisations (Jemison & Sitkin, 1986a, b). This quality of match or fit relates to both the “strategic fit” and “organisational fit” (see below), which are posited to influence post-acquisition performance through their effect on the firm’s ability to integrate the previously separate firms. Research has also shown that dissimilarities in ‘fit’ can lead to integration problems (Ranft & Lord, 2002). These will now be examined in more detail as they could help to form the basis on which a successful process model could be developed.

Strategic Fit

Strategic fit is a concept which is based upon a “target organisations” ability to contribute to a “Parents” strategy (Jemison & Sitkin, 1986b, p.107). Lubatkin (1983), in carrying out a review of the literature, found that the better the strategic fit is between the two organisations then the greater will be the performance gain to the acquired firm.

Strategic fit has since been expanded as a concept and recognised by many including Ellis, (2000), Hitt, Harrison and Ireland (2001), Hanna (2005) and Morris, Schindehutte & Allen (2005).

Organisational Fit

Organisational fit is the matching of “administrative systems, corporate cultures or demographic characteristics” (Jemison & Sitkin, 1986b, p.107).

Buono & Bowditch (1989) expanded on this definition and defined organisational fit as “the compatibility of reward systems, management styles and other aspects of structure and processes of the acquiring and acquired firm”. Furthermore, Datta et al. (1991) carried out empirical research on the banking industry and highlighted the following four organisational factors - organisational structure, organisational culture, systems and distinctive competencies. Mirvis & Marks carrying out theoretical research at the same time, offer a simpler definition of organisational fit, where they believe it to be “structures, systems and people” (2001, p.91). There were, however, onerous implications to including such organisational fit in integration, in that it is such a vast and complex area to both manage and control.

Pablo (1994) subsequently, took the organisational fit debate a step further as she looked at the organisational task needs during post-acquisition integration. She found that the preservation of any unique characteristics of an acquired firm that are a source of key strategic capabilities vary with the target capabilities that motivated an acquisition and she defines this as the organisational task needs. In support of the organisational fit debate, Pablo found that task related characteristics i.e. strategic and organisational tasks, “accounted for 75 percent of the total explained variance in these managers’ integration decisions” (p.825). Furthermore, she found that past research had shown that managers focused on strategic factors when in-fact the results of her study highlighted the fact that management is normally focused on organisational task issues as these accounted for “two thirds” (p.825) of the 75 percent total explained variance in managers’ integration decisions.

Clearly, organisational fit has a role to play in delivering successful acquisition integration outcomes. However in recent times the phenomenal growth of research in the area of organisational culture has resulted in a move to split “organisational fit” into more manageable parts. Hence the organisational culture features which involve the human value elements of the organisation and which, in the context of M&A integration, are defined as the “cultural fit”, will be separated from those elements of

the definition that deal with the day to day administrative practices, processes and structures which will now be used to define the “organisational fit”.

In developing this debate further, there may be two reasons why Pablo’s research varies with respect to Jemison and Sitkin’s original research. The first might be to do with the make-up of her sample set which consisted of 33 service industry companies and 23 manufacturing companies. The definition of organisational tasks at that moment in time i.e. 1991 to 1994 included processes, systems, and cultural issues. Thus, the predominant work emphasis of these 56 organisations would cause them to focus on the organisational fit issues i.e. service industries and cultural fit, manufacturing industries and organisational fit processes. It would be interesting to have broken organisational fit into its two constituent parts of organisational and cultural fit and then assessed the results. The second reason may be to do with Jemison and Sitkin’s original research. They did not specify the industries used in their sample data. So, comparisons on a like-for-like basis were not possible. The results of these two pieces of research highlight the importance of identifying the industry sector being considered and the results specific to that particular sector, and it is also advisable at the beginning of the research to determine the importance that the various organisations place on strategic, organisational and cultural fit issues.

Consequently Ellis’s definition from 2000 on organisational fit will be used as she removed all elements in relation to cultural issues and defined organisational fit as “the extent to which reward systems, administrative practices, structures, systems, processes, etc. of the two firms are compatible”. Even with this definition there is a case to be made by management for reducing its scope and further refining and taking out reward systems as these may be seen as a cultural aspect in organisations, where employees may deem rewards to be part of the organisational culture.

Cultural Fit

Ellis (2000) states that

“the compatibility of organisational cultures is regarded as one of the most important factors influencing the integration process of acquisitions and, hence the ability to realise intended goals and performance improvements from an acquisition” (p.28).

Organisational culture is commonly defined as the set of beliefs and values shared by organisational members generally encompassing characteristics such as employee

attitudes and behaviours (Nahavandi & Malekzadeh, (1988); Schein, (1985)). Mirvis & Marks in a review of M&A literature in 2001 found that the literature is in broad agreement with this. They believe that cultural fit has to do with philosophy, methods, styles and values. Whilst Ellis (2000) defines cultural fit as “the extent to which the beliefs, values and philosophy shared by organisational members of the two firms are similar” (p.184).

In 2007 Lemieux & Banks conducted qualitative research on a number of Information Technology (I.T.) firms and within this research they looked at organisational culture in the context of M&As and found a slightly different definition in that “cultural fit” between the two organisations refers to “a match between administrative, cultural practices and personnel characteristics” (p.1418). However they did not state how they analysed their results or arrived at their conclusions, nor did they state what methodology they used. In addition the administrative aspect has been removed and included in the organisational fit definition as per Ellis’ definition from 2000. Lemieux & Banks’ (2007) definition, however, is very similar to Jemison & Sitkin’s (1986a) definition on organisational fit, whilst Chatterjee et al., (1992); Nahavandi & Malekzadeh, (1988) and Weber, (1996), have narrowed the scope and believe it is captured by the attitudes and behaviours of employees of both firms. Pablo (1994) found that culture can have an instrumental effect on both the coordination and control functions of integration as she believes that an organisation’s routine approach to the management of culture has implications for how it is likely to design integration activities. In addition the research of Ramaswamy (1997) and Ellis (2000) corroborates Pablo’s (1994) findings with regard to the importance of culture to the integration process and In addition Ellis (2000) found that where there are cultural similarities between the two firms and/or the acquiring firm’s tolerance for multiculturalism, then this serves as an indicator of the integration level used in acquisitions.

What is important from the outset is that all elements of fit are identified, considered and included in the analysis and integration process regardless of which definition is adopted, as each has implications for the integration process and an organisation’s ability to achieve its integration goals.

2.2.4 Summary of findings

The author discovered in his literature review that many key authors believe that the acquisition integration process will stand a better chance of success if the acquisition strategy is aligned throughout the integration process (Birkenshaw, Bresman & Hakanson, (2000); Bower, (2001); Gadiesh et. al., (2003); Epstein, (2004)). Acquisition strategy is posited to be achieved, from an integration perspective, by matching the strategic, organisational and cultural fit characteristics throughout as fit, is determined to influence post-acquisition performance through its effect on the firm's ability to integrate previously distinct firms (Jemison & Sitkin, 1986b).

From a study of the relevant literature the author found that strategic fit offers synergistic benefits, as organisations can operate more efficiently and effectively after an acquisition and, additionally, these synergies are realised through organisational and cultural tasks post-acquisition (Harwood, 2001). In addition he found that researchers in this area believe that multiple fit factors have a role to play in integration strategy decisions and implementation (Lajoux, 1998) and that there has been no major opposition to this belief in the published literature on the topic.

2.2.4 Why this research is required

The author learned from a consideration of the published research work that failure rates haven't improved over the last 30 years (Homburgs & Bucerius's, 2006) with one third of all M&A failures having been caused by poor integration (Kitching, 1974). Therefore given this fact it is not surprising that with M&A activity on the increase, its integration is regarded as an urgent and compelling challenge facing businesses (Ashkenas, DeMonaco & Francis, (1998); Lynch & Lind, (2002)).

Hence Howell's quote from 1970 is as apt today as it was then - "proper planning and control of the process, based on a sound strategic framework, can substantially increase the probability of success and help avoid damaging reversals at the integration stage" (p.76).

Consequently in order to reduce the likelihood of acquisition failure and to increase the chances of a successful acquisition integration outcome, the author believes that it would be advantageous to have a complete process model to guide companies through

the acquisition integration process. Therefore in this thesis he proposes the development of a complete process model for success in acquisition integration and sets out to examine integration process models, the integration process itself and to identify means whereby the acquisition strategy through strategic, organisational and cultural fit factors can be achieved in acquisition integration.

The author will now proceed to examine relevant complete acquisition integration process models that have been developed on the basis of the acquisition strategy driving the integration process as this is posited to increase the chances of integration success. These will be examined in a chronological manner and will be used to frame a complete conceptual acquisition integration process model in the literature synthesis chapter.

Chapter 3 Framing the research study acquisition process model

In the previous chapter the author highlighted the importance of the acquisition strategy to the integration process and the fact that if this strategy had been used as the basis for the integration process then the chances of integration success would have been greatly improved. In this chapter given the research topic, the author has selected a number of published complete process models that are based on the acquisition strategy, it being at the core of integration, which have been accepted and in some cases adopted in M&A literature. The author argues for their inclusion in this work as necessary steps in the development of a complete acquisition integration process model and will now discuss the development of these models in chronological order.

3.1 Development of an acquisition integration process model

Most of the authors of published research on M&A integration only consider specific stages or elements of the acquisition process in isolation, with little thought given to a complete acquisition integration process. However Howell (1970) found in carrying out his field work that executives often reversed their acquisition decisions during integration as they had no conceptual scheme from which to work, hence he decided to develop a complete generic process model.

Both Kim (1998) and Handler (2006) in their research support and indeed expand on Howell's (1970) findings as they suggest the need for a complete strategically aligned M&A process approach. Kim proposed a multi-dimensional approach to his M&A process research in the lodging sector, whilst Handler (2006) who researched the health services sector, believes a complete strategically aligned process should be adopted "rather than the narrowly focused uni-dimensional approach" (p.215), typically adopted in most research studies. Kim (1998) found from his studies that organisations need to manage their acquisition strategy throughout the complete acquisition process in an integrated incremental manner in order to achieve the intended benefits. The model which may emanate from this research proposes taking this concept further by preparing and managing a multi-dimensional, strategically aligned approach to acquisition integration from acquisition strategy onwards.

To this end the evolution of acquisition process models will be examined to support the development of a complete acquisition integration process model.

3.2 Evolution of M&A process models

The evolution route is adopted as research has found that “developing a better understanding of the subtle yet powerful role that the acquisition process plays in acquisition outcomes is important” (Jemison & Sitkin, 1986b, p.116). In this section various process models will be identified to support the development of a complete model, as it has been found that no process model contains all elements of the complete process and indeed a large number of the models looked at isolated elements of the complete integration process. In addition some models have been validated empirically and all of which can be argued to contribute to a coherent and comprehensive model. Consequently in the present work the author will examine the evolution of these complete process models.

3.2.1 *Howell (1970)*

In 1970 Howell was the first to propose and develop in his work on acquisition classification - horizontal, vertical and conglomerate - following throughout, a complete process model with stages from strategy formulation through to integration. His process model is based on the premise that each acquisition is unique and as such should drive the integration process by way of strategy formulation i.e. acquisition strategy. He contends that consistency along this given “track” i.e. strategy formulation “is virtually essential to development of the proper planning and control mechanisms.” (p.66). Furthermore, he argues that if this framework were followed, then the probability of integration success would be increased. His process model hinged on isolating acquisition candidates along the functional dimensions - financial, marketing and manufacturing - of an on-going business.

Howell also analysed integration practices for 40 acquisition oriented companies over a two year period and broke up the various stages into more manageable parts, all of which will be proposed for inclusion in the model proposed in this work. Howell’s four stages were strategy formulation, investigation & selection, negotiation process and integration.

However Howell does not describe in detail how he analysed the practices of the 40 acquisitions or how he reached his conclusions. Also, the measures which led Howell to believe that implementing the acquisition strategy along a given track and that would lead to success are not given and we are not told if he validated his findings. Furthermore, Howell does not provide detailed information about each stage of the acquisitions he considered, nor does he identify the need for individual criteria in the form of fit factors. He does, however, mention functional integration from financial, marketing and manufacturing standpoint. There is no mention of cultural issues and he failed to identify any acquisition performance evaluation criteria. This might be explained by the fact that in 1970 the research on organisational culture was at a minimum.

Howell, however, did see the need for a flexible model, as, then and now, each acquisition has different motives and these motives can affect this strategy development stage of the acquisition integration process and In addition he also recognised the need for short-term budgeting and long range strategic planning.

3.2.2 Jemison & Sitkin (1986, a, b)

The authors followed Howell's work and were the first to propose deriving from the acquisition strategy the key acquisition criteria, known as organisational and strategic fit. They also found that the M&A process was prone to failure when management, blinded by the pursuit of the acquisition, neglected to qualify the M&A merits through these fit factors or any variant thereof or focussed only on strategic fit, thereby increasing the risk of M&A failure.

The authors developed a simple framework from the initial stages through to acquisition outcome, having conducted interviews via open-ended questions with more than 25 senior managers over a two hour period during which they generally based their questions around success and failure (see Figure 3.1).

They found that successful acquisitions "exemplified the classic prescriptions for acquisitions by diligently insuring a good strategic and organisational fit between the two businesses" (1986b, p.108), whereas on the other hand "acquisitions that failed achieved neither strategic nor organisational fit" (1986b, p.108). Their research also highlighted the need for a process model, as they found that the acquisition process

itself was a major determinant of success or failure in acquisitions as was the uniqueness of each acquisition.

The process model of Jemison & Sitkin (1986a), although simplistic, was a significant development in terms of advancing the understanding of M&A success and is based on the fact that the acquisition strategy drives the M&A integration process and highlights the fact that the acquisition outcomes are effected by strategic fit, organisation fit and the M&A process.

However although their model takes on the appearance of a complete integration process model, it does not, to any extent, expand beyond a discussion of the importance of strategic fit, organisation fit and M&A process to the acquisition outcome. Moreover, the authors do not suggest how the complete integration process should be carried out from the initial strategy stage to the acquisition outcome, nor do they offer any solutions regarding stages and processes that need to be included to get to the end. Finally, their model does not look at any performance management criteria either in the pre- or post-acquisition stages.

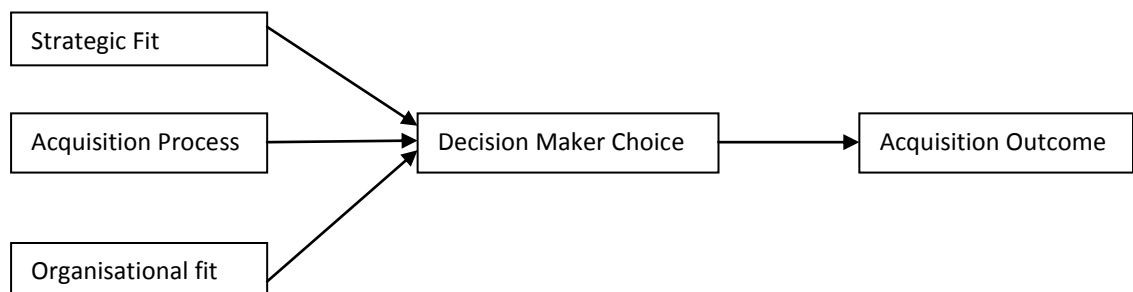


Figure 3.1 A process perspective on corporate acquisitions (Jemison & Sitkin, 1986a)

This work was subsequently tested, at least in part, by Pablo (1994), Ellis (2000) and Hanna (2005) and is constantly referred to in work on M&A integration.

3.2.3 Schweiger et al., (1993)

Schweiger et al., (1993) added to the previous work by finding that the acquisition strategy is the driving force of the acquisition process, whose performance indicators should therefore be derived from this acquisition strategy thereby aligning acquisition strategy throughout the process (See Figure 3.2). In addition as integration information must be gathered they argued for effective pre-closing information gathering, as they

contended that post-acquisition information can be can be problematic and time consuming. Additionally they found that for integration to be successful then both strategic and organisational fit (as per Jemison & Sitkin (1986)) as well as financial issues had to be managed effectively throughout the process.

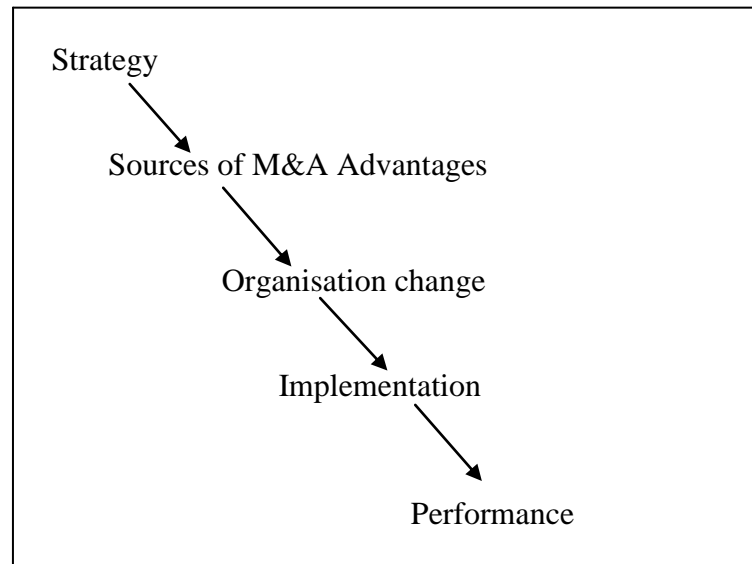


Figure 3.2 M&A Implementation framework (Schweiger et al., 1993, p.57)

However on the issue of carrying out an acquisition for strategic reasons Schweiger et al. (1993) advise that “when M&As are driven solely by opportunism i.e. a good deal or the desire to ‘do a deal’, rather than sound strategic reasons, they are less likely to succeed” (p.54). The authors do not substantiate this claim in any way either with support from the literature or their own field research. In addition they do not expand on the issues of fit and integration to any great extent, other than saying that managers have greatest difficulty with fit, in that they often overestimate synergies and underestimate the difficulties of realising them. Additionally they suggest that the integration “time frame should be realistic” i.e. 3 – 5 years and that “the idea is to implement successfully not prematurely” (p.62). However they do not advise splitting the integration up into timeframes, although they do suggest gathering as much information in the pre-closing, so that post-closing integration isn’t as lengthy.

Although their framework is based only on a review of the M&A literature and their consultancy experience, nonetheless their concept has been accepted in subsequent literature. However this framework has not subsequently been tested or validated in any manner and is quite simplistic as it lacks performance evaluation criteria throughout,

process stages and integration tasks. It does, however, provide a clear line of sight from the initial acquisition strategy through to eventual performance management and is replete with practical examples of how to overcome problems.

3.2.4 Pablo (1991 & 1994)

Pablo was a PhD student of Sitkin, and Jemison was her PhD reviewer and also a PhD panel member. In her article in the Academy of Management Journal entitled “Determinants of acquisition integration level: A decision-making perspective”, she both empirically tested and in addition expanded on Jemison & Sitkin’s (1986 a, b) work in relation to strategic and organisational fit. Her work furthermore recognised the importance of cultural factors in integrations. Crucially her work also was the first to propose process specific weighting to be applied to the fit factors. For example, “cultural fit” may have a greater weighting for a M&A in the Human Resources’ industry or “organisational fit” may have greater weighting in a manufacturing M&A. In addition she suggested that specifying the appropriate weighting of fit factors would define the level of integration required, which could be achieved through carrying out a strategic and organisational task.

In addition Pablo found that the level of integration immediately post-acquisition was not as high as integration chosen in the long-term and she held that cultural integration is an evolutionary process and not viewed as urgent. The author also discovered that pre-acquisition planning was used to identify changes ahead of time, so that post-acquisition integration was faster and this concurred with the findings of Schweiger et al (1993). Furthermore, she found that financial elements were integrated immediately.

However Pablo’s conclusions about cultural integration being evolutionary may not apply to all acquisitions as she has not examined the validity of her conclusions in relation to individual industrial sectors or the financial distress which particular organisations might be experiencing. As discussed earlier, the split in her sample make-up may have introduced a bias in her findings and hence the emphasis on slow integration of culture. Also, although it may not be relevant to Pablo, but is true in general: if an organisation is about to collapse, the employees may be prepared to radically change their practices to survive and keep their jobs as they may see no alternative.

Similar to Jemison & Sitkin's (1986 a, b) work, Pablo's framework gives the appearance of a complete process model (See Figure 3.3). However it does not examine any of the stages in the M&A process in any detail from the initial inception to the final outcome.

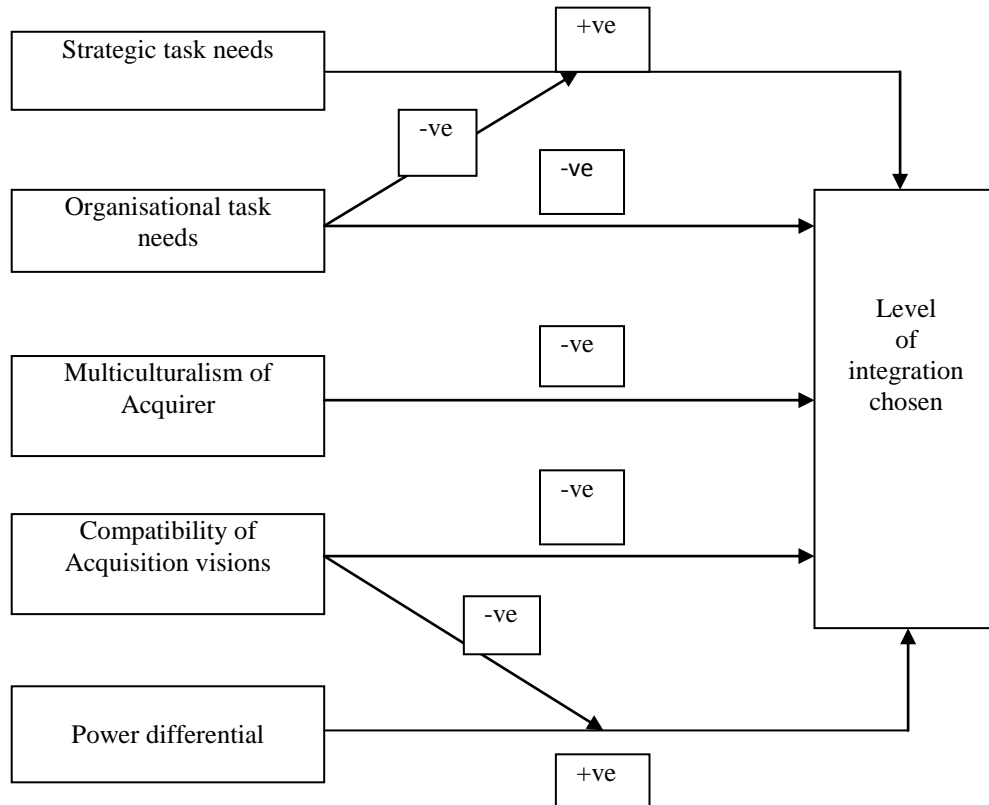


Figure 3.3 Pablo (1991) framework

Pablo suggests that the integration design i.e. specifying weights of fit factors that are implemented has an important relationship with acquisition performance and consequently it is an important initial influence on the ultimate success or failure of an acquisition. But Pablo does not go on to mention or deal with Jemison & Sitkin's (1986a, b) finding that the M&A process is a major cause of failure that could cause the integration process to deviate off course. Also, her model suggests that the integration process begins with the acquisition strategy based on strategic fit and organisational fit and she then proceeds to deciding on the level of integration required which is based on her policy capturing research without offering any insight as to how the M&A process pitfalls might be avoided.

3.2.5 Askenas, DeMonaco & Francis (1998)

The above authors developed a complete approach to acquisition integration and decided to consider organisational and cultural fit factors and their model predominantly focuses on the cultural issues (See Figure 3.4). Temporally their acquisition process model is also broken into more defined stages, although, disappointingly it only begins at due diligence. The authors also support the argument for developing a post-acquisition short-term (100-day) and long-term assimilation plan. There is no specific mention of developing the acquisition framework based on the acquisition strategy, but they do stress that “the structure of every acquisition is unique; each has a one-of-a-kind business strategy; each has its own personality and culture”. The authors also agree with Shrallow (1985) about the importance of the due diligence investigation process to the M&A process.

However the authors do not take us through the various stages of their acquisition integration process model or show how the various elements are interrelated. In addition they do not mention developing a pre-acquisition integration strategy referring only to the development of a pre-acquisition communications plan. Most of the pre-acquisition and post-acquisition stages are devoted to the cultural assessments and implementation, which is to the detriment of the other elements, such as strategic fit of which there is no mention and organisational fit. It is only when they get to the assimilation aspect of the process that they consider the relevant organisational issues and practices. Similarly, no mention is made of the weighting of fit factors and its appropriateness, although there is a considerable emphasis placed on cultural assessments and implementation. Furthermore, there is no mention of the performance management elements of integration management process.

Askenas, DeMonaco & Francis called their framework the ‘Pathfinder Model: The wheel of fortune’ (see Figure 3.4). It was developed over three years by the authors in conjunction with GE Capital. Interviews and documentation were used to facilitate GE Capital learning from its extensive M&A integration experience and to help them develop a replicable practical process. The model has been applied successfully to several integrations and the authors advise that GE capital have been working to make acquisition integration a core competency as they contend that it can be a source of

competitive advantage. However no examples from various integrations have been highlighted nor indeed any proof offered of the models success.

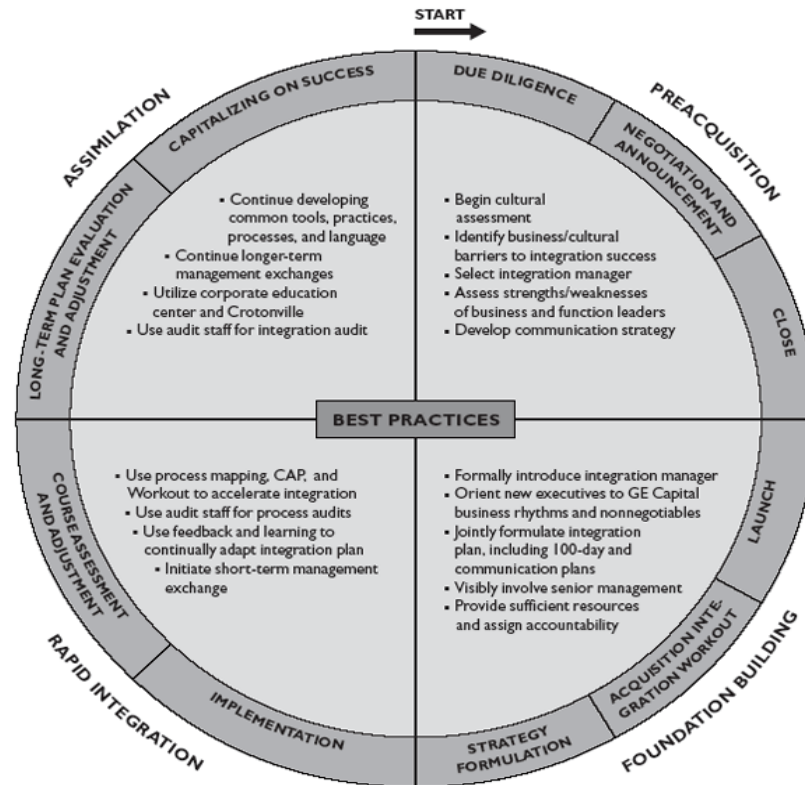


Figure 3.4 The Pathfinder model: The wheel of fortune (Askenas, DeMonaco & Francis, 1998).

3.2.6 Ellis (2000)

Upon completing her PhD at Florida State University, Ellis developed the evolution of M&A process models further, by considering outcomes, for the first time *during* integration and also approaches to post-integration (See Figure 3.5). So, while others had recognised the need for a complete process, Ellis suggested that this be monitored continuously. Regarding some of Ellis' further proposals, the model considered in this work will evaluate whether management retention should be included in cultural fit and whether both prior M&A experience and performance might be of importance where a reliable process model is being pursued and M&As are treated as being unique processes.

Similar to previous studies, strategic, organisational and cultural fit all have a role to play in integrations and integration approaches adopted. Ellis, however, does not

consider these issues in detail, nor does she explore the weighting aspect of fit factors as per Pablo (1991 & 1994).

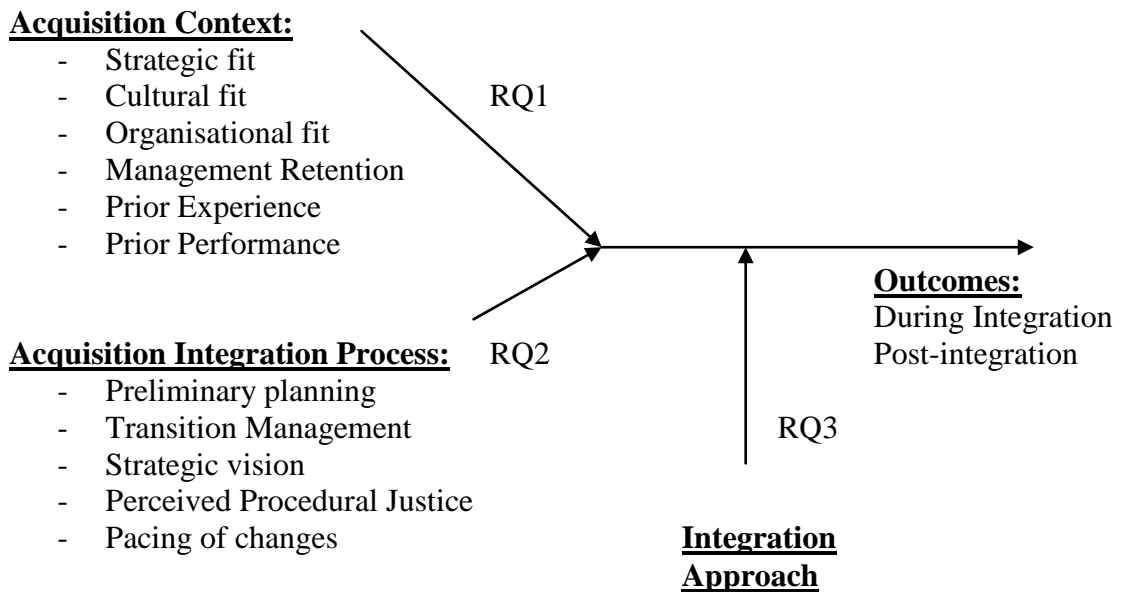


Figure 3.5 Ellis (2000) framework

Ellis highlighted the importance of preliminary planning to the integration process. On this she supports Askenas, DeMonaco & Francis (1998) in advising that preliminary planning is worthwhile, to facilitate immediate post-acquisition integration. Ellis advises that the acquisition strategy, which she calls the “strategic vision”, should drive the integration process, and her views are similar to those of Howell (1970), Jemison & Sitkin (1986 a, b) and Pablo (1994).

Ellis includes perceived procedural justice in the acquisition integration process. The model considered in this study will consider whether this comes down to good cultural integration practices as the acquired organisation employees want to be treated fairly. Hence cultural fit and appropriate integration of cultural tasks can have a positive impact if handled correctly.

Pacing of changes is related to selecting the most appropriate speed of integration and her findings are similar to those of Pablo (1991 & 1994), Askenas, DeMonaco & Francis (1998). Ellis determined that when carrying out post-acquisition integration it is possible that strategic, organisational and cultural integration may occur at different speeds. Therefore not only is the weighting important for integration but it is also

important for the pacing of the integration of each of the fit factor tasks. For example, the integration of computer platforms i.e. an organisational task may be completed within six months, whereas cultural integration may take a lot longer i.e. 2 – 7 years.

Overall, Ellis' findings on pace, integration, etc. are generally positive and supportive of the previously cited models, but they required the evaluation of a lot of demographic factors that would probably have been better grouped together. She looked at pre-acquisition context factors and she also assessed the integration process i.e. predominantly post-acquisition, with the exception being preliminary planning, together with performance outcomes on various integration approaches. Hence she developed a complete process model, including the development of a pre-acquisition integration strategy, although at first glance, this may not be immediately obvious. There are some notable omissions in her model, for example, once again, this is a model that does not include candidate selection and due diligence investigation processes.

3.2.7 Roberts, Wallace & Moles (2003)

Roberts, Wallace & Moles devised a complete M&A framework in 2003 for their DBA module in M&As at Edinburgh Business School. Similar to Shralow (1985), they suggest gathering as much information as possible in the pre-acquisition stage and using this data to plan for integration. Hence by developing the plan in the pre-acquisition stage, one is ready immediately for the implementation post-acquisition, a view very similar to that of Askenas, DeMonaco & Francis' (1998) findings. In addition the authors' model was the first to suggest reappraising and reviewing the whole process to facilitate learning from the acquisition just completed i.e. a learning and feedback loop.

However although this framework is both rational and pragmatic in its approach to integration, it has not been tested or validated and is not widely available for review as it is a module on a doctorate programme. In addition there is no mention of an acquisition strategy driving the integration process, but there is an emphasis on strategy development in the pre-acquisition planning stage where a marketing, supplier and business strategy are developed.

3.2.8 Quah & Young (2005)

The authors identified the importance of the cultural elements of M&As and the importance of identifying these in the pre-acquisition stage and following through with them for the post-acquisition elements, a view similar to that of Askenas, DeMonaco & Francis, (1998). They looked at pre- and post-acquisition elements of M&As and advised the setting of clear goals in the pre-acquisition stage i.e. critical success factors.

However their work dealt predominantly with cultural elements, as they developed a phased approach to cross-border M&As where cultural elements are a big part of integration and as such their model may not be generalisable to the wider field of M&As. Also, their model is based on a single case study organisation in the automotive industry i.e. an American automotive Multi-National Enterprise (MNE) carrying out a number of acquisitions in Europe. Hence the results must be treated with caution and like other authors cited here - Pablo, (1991 & 1994); Askenas, DeMonaco and Francis, (1998); and Ellis, (2000), they advised in relation to short-term and long-term planning. However they stretched the time horizon out beyond five years, as they found integrations that still had not been completed 7 years after they had been initiated.

The authors also determined that if success were measured within two years of initiation, then acquisitions would have been deemed unsuccessful. Additionally there is no mention of an acquisition strategy driving the process, but the authors do mention that the parent organisation's strategic intent was driving their acquisitions programme for Europe.

3.3 Conclusion

It would appear from the above frameworks and process models that the development of the pre-acquisition appraisal is beginning to gain more traction in terms of importance to the post-acquisition integration. This has led to the adoption of a complete integration approach driven by the acquisition strategy.

This study proposes developing a complete acquisition integration process model which will lead to successful acquisition integration. The proposed model is based on the premise that the acquisition strategy drives the integration process by means of the

alignment of strategic, organisational and cultural factors throughout the complete process.

However as can be seen from the above integration process models, the various stages from pre-, post- and performance management have not been identified, nor indeed has an evaluation and analysis of the importance of the various fit factors from acquisition strategy development through to performance been carried out. In this research the author will next examine the various stages, fit factors and processes of integration. To this extent Figure 4.1, is presented to guide the reader through conceptual stages, missing from the acquisition integration process models discussed earlier.

Chapter 4 Conceptual stages of the acquisition integration process

In the previous chapter the author investigated, in a chronological fashion, complete acquisition integration process models developed on the basis of the acquisition strategy driving the integration process. From this investigation he determined that various stages from pre-, post- and performance management have not been identified, nor indeed had an evaluation and analysis of the importance of the various fit factors been carried out of the complete integration process. In this chapter the author will examine the complete acquisition integration process which consists of three key stages; Pre-, Post-acquisition and Performance management. In addition the author has identified that the fit factor elements described in the previous section are key influencing factors for each of these stages and hence they will be the focus of this section and indeed of this entire research study. Note: The author has developed Figure 4.1 to guide the reader through the conceptual stages of the acquisition integration process. This figure has been created by the author from accepted literature.

4.1 Pre-acquisition: Background factors influencing acquisition strategy

The most important outcome from this stage is the development of an acquisition strategy, which is in turn informed by corporate vision, corporate strategy and acquisition motives.

It is assumed in this research study that acquiring organisations would choose to carry out an acquisition from a rational structured thought process, from which they could develop a corporate vision and strategy, the outcome of which might then be to go down the acquisition route. As a result they would have decided that the acquisition was of strategic importance and, consequently, would have also determined the acquisition motives. On the other hand, if an organisation has not gone down this route and a strategic opportunity has presented itself to the organisation, it is imperative that the organisation is aware of the rationale for the acquisition and consequently the importance of integration and the knock-on effect that this can have on the overall corporate vision of the organisation.

The development of these three elements - corporate vision, corporate strategy and acquisition motives - is not the subject of this research study, but it is crucial at the outset to highlight their importance to the acquisition strategy and, to this end, they will be briefly discussed here before the author proceeds to consider the pre-acquisition stage. Figure 4.2 highlights the key factors influencing the development of the acquisitions strategy.

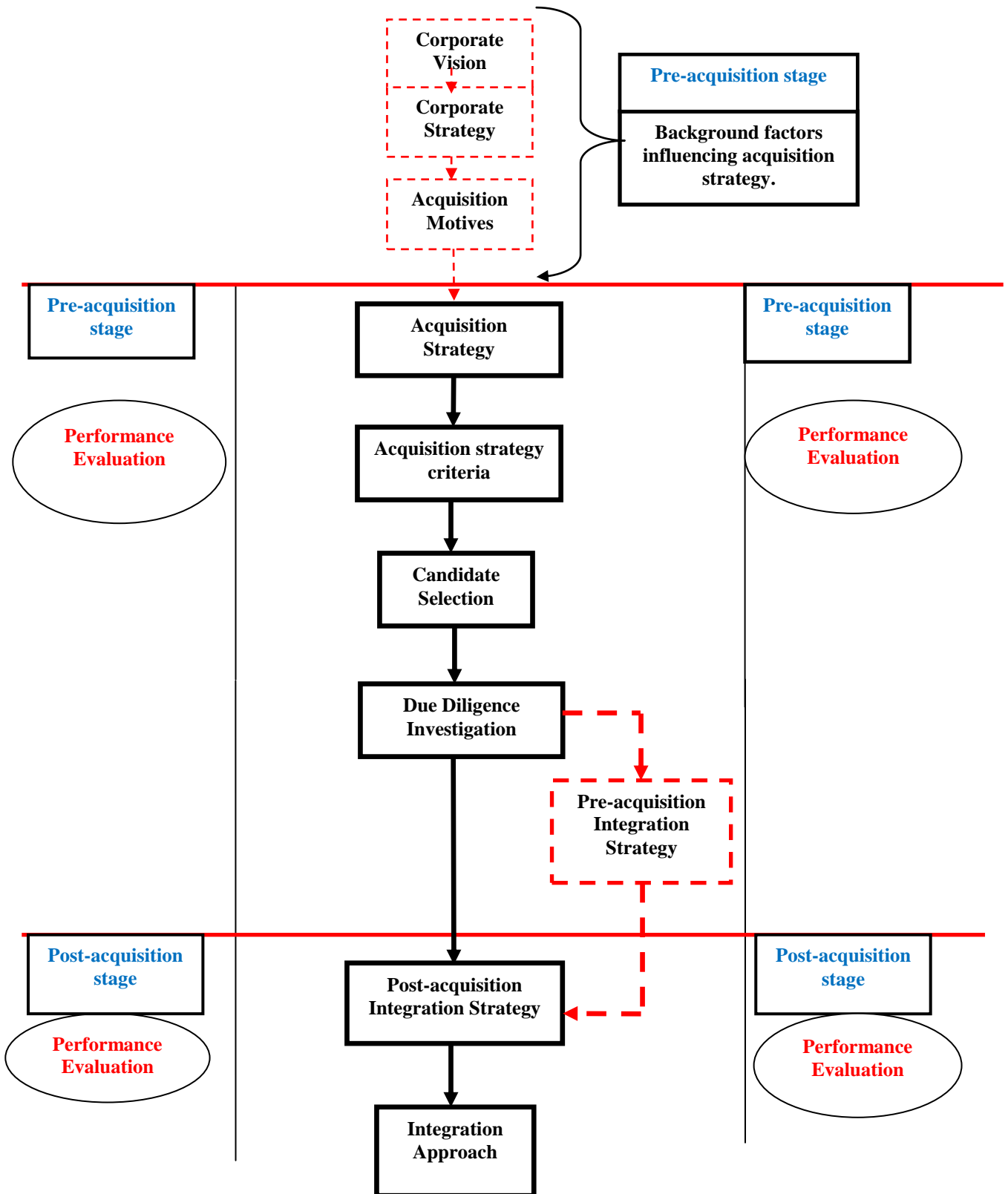


Figure 4.1 Conceptual stages in the acquisition integration process according to accepted literature

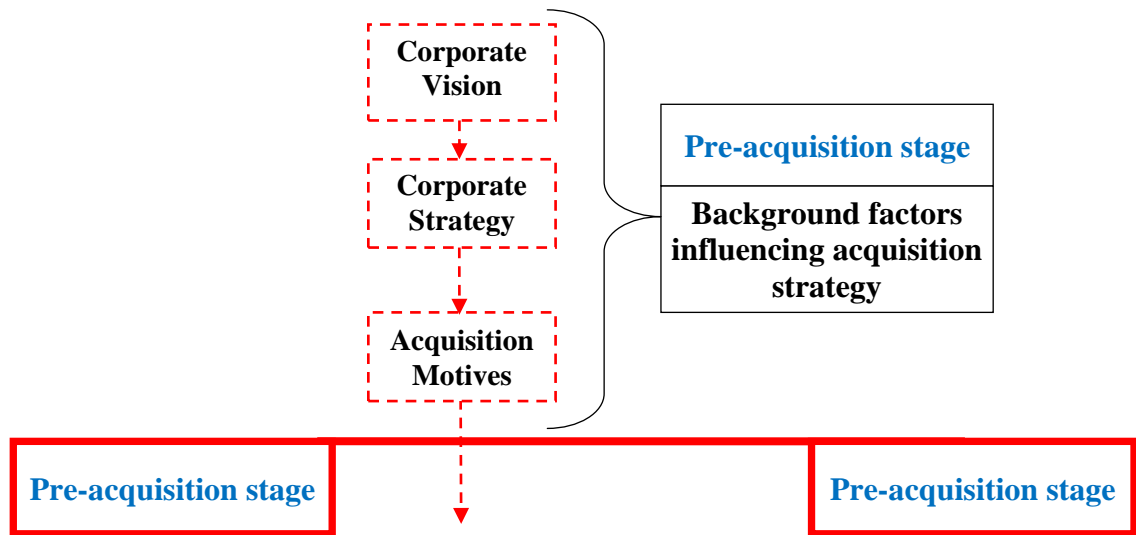


Figure 4.2 Key factors influencing the development of the acquisition's strategy

4.1.1 Corporate vision and corporate strategy

The corporate vision that an organisation creates for itself will have implications for the M&A according to Hinterhuber (2002). Marsh (2005) states that “decisions made in selecting acquisition targets, settling on the acquisition premium to be paid and determining the level of post-acquisition integration” (p.36), are all “meaningfully affected by aspects of the corporate vision statement” (p.36). Consequently M&As can meet a strategic need and hence should not be viewed in isolation as their outcomes will have ramifications for the organisation in achieving its corporate strategy.

These arguments have not been contested in the subsequent M&A literature.

In the following section the author will consider the motives for carrying out M&As, as these motives are the driving force behind the acquisition strategy, as Jemison & Sitkin (1986) assert that acquisition strategy is the “central factor driving implementation, since the ultimate value of the deal will be determined by the extent to which strategy is realised”.

4.1.2 Acquisition motives

Motives for a M&A should align with the corporate strategy and help in the development of the acquisition strategy and ultimately help to complete the integration process. The motives for carrying out an acquisition can vary, from a horizontal

acquisition of a competitor or an organisation at the same stage of production in the same or different industries, to a vertical acquisition of an organisation at different stages of production and/or distribution chain. Indeed the organisation's motives may also involve the acquisition of a number of unrelated organisations; such is the case with a conglomerate. (Note: This type of acquisition is not the focus of this thesis, as this thesis concentrates on acquisitions carried out for strategic reasons). Works on acquisition motives can be divided into Lubatkin's *technical and marketing scale economies* (1983) with further support offered by various authors, were:

Technical scale economies include:

- to obtain synergies,
- to take advantage of economies of scale (Cote, Langley and Pasquero, (1999); Papadakis, (2007)),
- to carry out cost savings (Shrivastava, 1986),
- to rationalise distribution channels,
- to deal with overcapacity through consolidation in mature markets (Bower, (2001); Askenas & Francis, (2000); Shrivastava, (1986)) and
- to gain access to technological knowledge (Birkinshaw, Bresman & Hakanson, (2000); Grimpe, (2007); Quah & Young, (2005); Shrivastava, (1986)).

Lubatkin's alternative list, entitled *marketing scale economies* with further support offered by various authors can be grouped as follows:

- to acquire customers and be close to them (Quah & Young, 2005),
- to roll up competitors in geographically fragmented industries (Bower, 2001),
- to grow market share (Cote, Langley & Pasquero, (1999) and Shrivastava, (1986)),
- to extend their geographical reach (Cote, Langley and Pasquero, (1999) and Papadakis, (2007)),
- to extend into new products or markets (Birkinshaw, Bresman & Hakanson, (2000); Bower, (2001); Askenas & Francis, (2000); Grimpe, (2007); Harari, (1997) and Papadakis, (2007)) and
- to exploit eroding industry boundaries by inventing an industry (Bower, 2001)

King (2002) and a number of other authors offer alternative reasons for carrying out acquisitions, including:

- circumvention of entry barriers
- increased speed of entry (Shrivastava, 1986)
- lower entry costs than internal development
- deal with over capacity through consolidation in mature industries, (Bower, 2001)
- roll-up competitors in geographically fragmented industries, (Bower, 2001)
- extend into new products or markets, (Bower, 2001)
- as a substitute for R&D, (Bower, 2001)
- to exploit eroding boundaries by inventing an industry, (Bower, 2001)

Hence there are numerous motives for undertaking M&As and an organisation can select any or a combination of these motives for each individual M&A, as each M&A is unique and these motives should be used to inform the acquisition strategy.

4.1.3 M&A Process

In addition to the above background factors that influence the development of an acquisition strategy, it is posited that the M&A process itself in the absence of an overarching process model as proposed to be developed by the author here is a potentially important determinant of activities and outcomes (Jemison & Sitkin, (1986a); Zollo & Singh, (2004)) as Howell found that;

“One reason executives reverse themselves so frequently, and relationships disintegrate at the integration stage, is that no adequate conceptual scheme exists, with which to think through and plan the acquisition process in its entirety” (1970, p.66)

As the M&A process proceeds, specialists can be brought on board to facilitate target analysis, including, for example, “due diligence”. However due to the fragmented and secretive nature of the M&A process, these specialists tend to work in isolation from others involved in the acquisition team. This isolation can lead to a fragmented analysis and can cause organisations to focus only on ‘strategic fit’ to the detriment of the more complicated issues of organisational and cultural fit. Hence there is a one-sidedness in the analysis. There are several reasons for this. Firstly strategic fit issues directly reflect

the espoused purpose of the acquisition and secondly, strategic fit lends itself to standardised analytical approaches, whereas organisational and cultural fit issues are less clear cut and are somewhat ambiguous, subjective and open to challenge. In addition Jemison & Sitkin (1986b) found that when board members lack M&A experience, they may focus on the review of financial or market information that the company's managers or investment bankers make available instead of reviewing the operationally oriented analyses, which are important for predicting post-acquisition success.

Hence the acquiring organisation needs to be cognizant of the M&A process. Subsequent research found that the M&A process can lead to a lack of focus, cause organisations to get caught up in the chase and lose sight of the initial acquisition strategy (Pablo, (1991&1994); Ellis, (2000) and Hanna, (2005)).

4.2 Pre-acquisition stage

In the preceding section the author only briefly considered the background factors that influence the development of the acquisition strategy and how these can have an influence on the M&A and the integration process because they are not the subject of this work. The author will now consider the pre-acquisition stage of the M&A process. Figure 4.3 is a conceptual roadmap based on the literature for the pre-acquisition stage.

Pre-acquisition evaluation needs to be thorough as research has found that “two thirds of the battle is won – by making the right strategic choices – before the purchase contract is signed” (Kitching, 1974, p.126). Otherwise, as one CEO Kitching interviewed found, that “if you make a fundamental mistake in strategic thinking, nothing the best manager can do afterwards will put it right” (Kitching, 1974, p.126). Hence a thorough pre-acquisition investigation is required otherwise the consequences for management in post-acquisition integration could be detrimental to success.

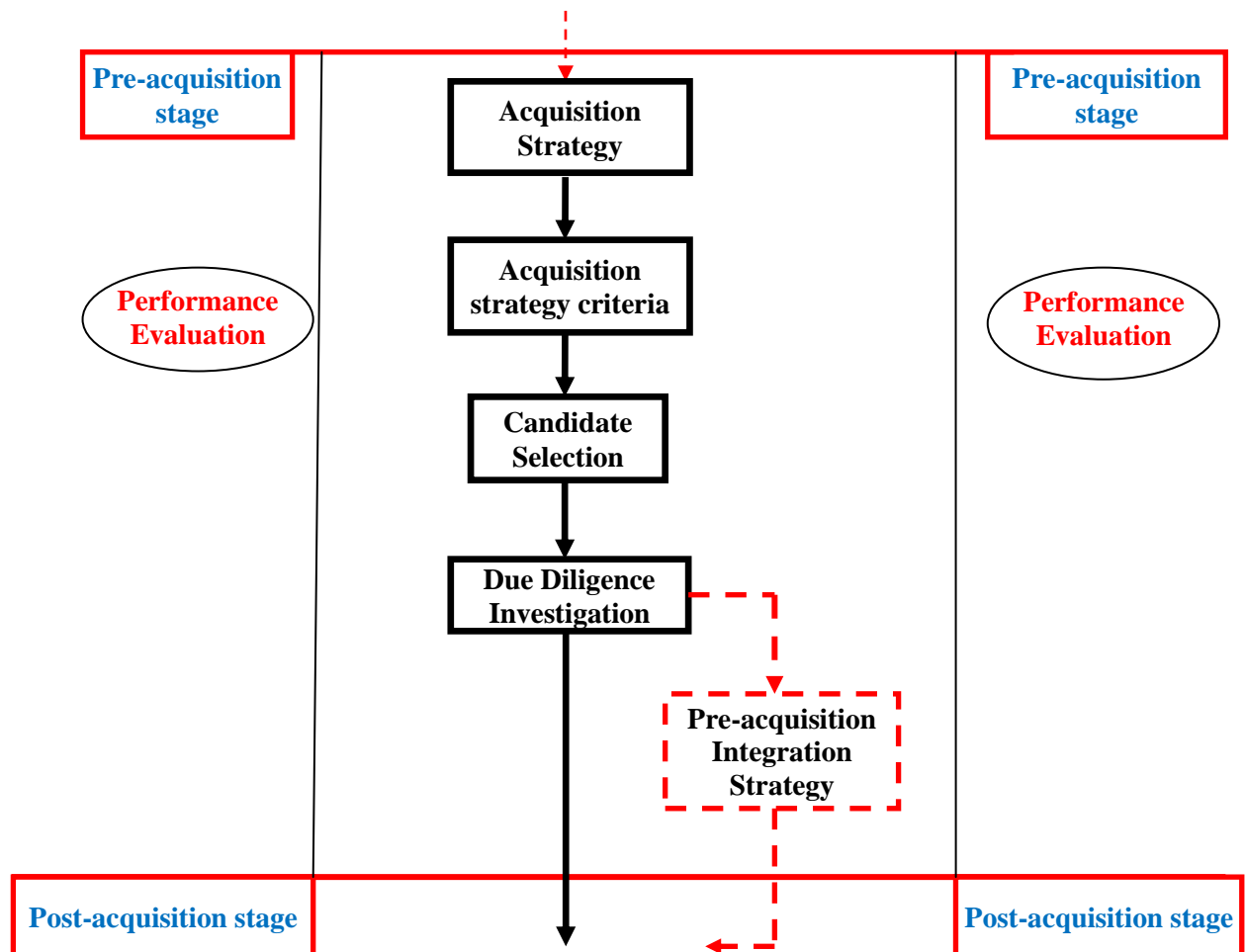


Figure 4.3 Conceptual pre-acquisition processes according to accepted literature

4.2.1 Developing an acquisition strategy and criteria

A key success factor in the selection of the acquisition candidate by parent organisations should be the development of a set of individually weighted acquisition criteria consistent with the acquisition strategy (Kitching, (1967); Rappaport, (1979); Mirvis & Marks, (2001); Pablo, (1994) and McDonald, Coultard & de Lange, (2005)). Developing these criteria ensures that the organisation does not get carried away in the emotion of its rush to close a deal.

In addition research has found that an organisation's predisposition to risk influences its weighing of selection criteria and that risk-averse organisations will "weigh selection criteria in the following order of importance – past performance levels, resource requirements, and organisational and strategic fit" (Pablo, Sitkin & Jemison, 1996, p.731). In contrast, risk-seeking organisations "weigh selection criteria in the opposite order – strategic and organisational fit, resource requirements and past performance

levels” (Pablo, Sitkin & Jemison, 1996, p.731). However Pablo, Sitkin & Jemison only specified empirically testable propositions in their research which were based on their prior experience of M&As and they did not test or validate their propositions with subsequent research.

However as no criticism of these findings has been found in subsequent research this author will adopt the multiple criteria and the weighting of fit factors approach and include them in the process model. The next section will examine specific issues to do with the candidate selection process.

4.2.2 Candidate selection

Superior analysis of the target organisation with respect to the strategic and economic factors has been found to be positively related to acquisition success (Jemison & Sitkin, 1986a) as issues of compatibility of target goals and plans i.e. strategic fit and cultural fit have knock-on effects for acquisitions (Pablo, 1991). Indeed, this might explain why the majority of participants evaluated M&As on the basis of their fit with the organisation’s strategy (Very & Schweiger, (2001); Bert, McDonald & Herd, (2003) and McDonald, Coultard & de Lange’s, (2005)).

This may also explain why research to date has shown that it is advantageous to select candidates with similar fit characteristics and a number of researchers in developing their own fit arguments, all essentially support this stance from Schweiger et al., (1993), Pablo (1991 & 1994), Sirower (1997), Kim (1998), Harwood (2001) to Hanna in 2005 and, indeed, they have expanded on it to include other fit factors such as financial fit and business fit, which can be fully accommodated in the process model considered here under the existing strategic, organisational and cultural fit factors.

4.2.3 Due diligence investigation process

The starting point of a detailed due diligence investigation process is a clear understanding of the nature of the acquisition strategy (Pablo, (1994); Epstein, (2005)) as this strategy is used to ascertain among other things if the candidate organisation matches the ‘fit’ objectives which it deems imperative for success. The due diligence investigation should ascertain any potential exposures that the organisation may face in the integration process (Shrallow, 1985) and hence increase the chances of a successful

acquisition integration outcome. In the pre-acquisition stage a thorough due diligence has been identified as of great importance (Lynch & Lind, (2002) and Perry & Herd, (2004)). Kim (1998) found that due diligence was ranked fourth by senior managers when assessing pre-acquisition critical success factors.

However research carried out by Gates and Very in 2003 into the M&A integration process, found that, in Europe at least, the results of the due diligence investigation were not used to plan the integration process or to assess cultural fit, but, Buchanan (1990) found that the opposite was the case.

Within the due diligence process the focus of the investigation tends to vary from organisation to organisation and again this is consistent with the earlier findings by Rappaport (1979), Pablo (1991 & 1994) and Pablo, Sitkin & Jemison (1996) on weighting factors. McDonald, Coultard, & de Lange (2005) identify three factors, namely the strategic fit of the acquisition relative to its corporate strategy, the attainment of a good level of cultural fit and the need to follow a M&A model as being necessary, “to get the testosterone out of the deal” (p.7). This supports Shrallow’s earlier work regarding a process model to overcome the rush to close. Similarly, Epstein (2005) carrying out research at the same time in 2005 found that the organisational and cultural fit elements must be investigated during the due diligence process. In addition Papadakis (2007) recommended that a thorough strategic and cultural due diligence should be carried out.

Thus the due-diligence investigation process should be guided by the acquisition strategy to ensure that the candidate organisation matches the ‘fit’ objectives which the acquiring organisation deems imperative for success and that the outcomes of the due diligence process with respect to the multiple fit factors are used to develop the integration strategy.

4.3 Post-acquisition

As can be seen from the previous sections, pre-acquisition planning and management play a very important role in setting the scene for successful post-acquisition integration management. In this section the author will analyse the post-acquisition management elements of the M&A process as per Figure 4.4, which is a conceptual roadmap based

on the literature for the post-acquisition stage. In the pre-acquisition development stage the writer examined the fit factors, to determine the appropriate level of integration. Now, post-acquisition these fit factors evolve into integration tasks.

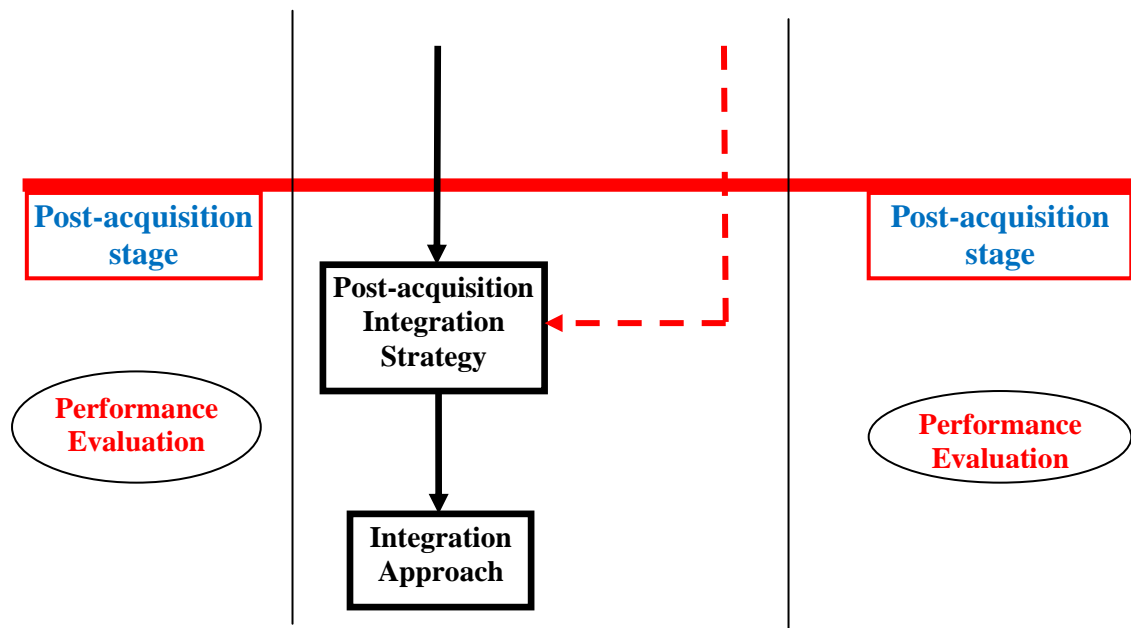


Figure 4.4 Post-acquisition stages based on accepted literature

4.3.1 Integration strategy

Recent advances in literature suggest that the results of the pre-acquisition stage should be used to develop an integration strategy as early as possible (Gates & Very, 2003) and to determine the most appropriate approach to integration (Pablo, (1991) & McDonald, Coulthard & de Lange, (2005)) required, to deliver a successful acquisition strategic outcome in an efficient complete integration approach. But, as highlighted earlier by Gates and Very (2003), this may not always happen and thus provides further support for Jemison & Sitkin's (1986a) view that the M&A process may easily drift off course. The development of an integration strategy and an appropriate integration approach will now be examined.

Pre-acquisition integration strategy

The development of an integration strategy prior to closing enables an organisation to be ready to commence integration upon closing and In addition it can be used to support the negotiation process, as was the case at Hill-Rom (Gates & Very, 2003).

But additional research carried out at the same time found that the strategy developed in this phase of the M&A process was crude and not of a practical nature (Badhe, 2003) and he concluded that a subsequent and more sophisticated integration strategy needed to be developed once the firm had been acquired and integration was underway and that this strategy should have been developed by all parties involved in the acquisition in order for it to have been implemented successfully.

But what may have been also required was the development of a pre-acquisition integration strategy, which would have facilitated immediate post-closure integration and the possible adaptation of this strategy to the new realities post-acquisition. Askenas, DeMonaco & Francis (1998) support this argument as they propose that organisations develop a short-term 100-day plan for immediate implementation post-closing followed by a long-term assimilation plan. Similarly, Pablo (1991) and McDonald, Coulthard & de Lange (2005) developed a two-stage integration planning process.

Contents of an integration strategy

An integration strategy should contain three elements namely the goals for the new company, how integration will support these goals and the priorities / timetable for the integration (Lajoux, 1998). Additionally Hanna (2005) maintains that it should outline “exactly when and how the major resources, assets, processes, systems and commitments of the acquiring and acquired firm will be combined” (p.36). In Hanna’s (2005) definition strategic, organisational and cultural tasks are implied.

Further support is provided by Ellis (2000) and Epstein (2004) who contend that the integration strategy needs to be carefully developed to implement the M&A strategy and execute the strategic vision and strategic fit that led to the M&A in the first place. Therefore within the integration strategy development process, one needs to decide on the degree of integration most appropriate based on the objectives of the acquisition (Hubbard, (1997) and Epstein, (2004)).

Hence in the complete acquisition process model considered here these may all be incorporated into the integration strategy as the managerial implications of not having them included is that the organisation may overlook some aspect of the integration process and thereby reduce the chances of a successful integration outcome.

4.3.2 *Integration approaches*

The level of integration required in all acquisitions is not the same (Pablo, 1991), as each acquisition has unique characteristics and motivations. Furthermore, the degree of integration required is affected by the degree of post-acquisition change required in an organisation's technical, administrative and cultural make-up (Pablo, 1994). In addition research has found that failing to integrate properly can lead to failure to create value and furthermore, over-integration can lead to value destruction (Pablo, 1994). Hence it is imperative that management decides on the best approach to integration and from this it needs to balance strategic, organisational and cultural tasks as appropriate.

While a number of authors -Birkinshaw, Bresman & Hakanson, (2000); Pablo, (1994) and Jemison & Sitkin, (1986a) - have considered the whole approach to and level of integration most appropriate to the acquiring organisation depending upon the acquisition's strategy and are indeed presented in this section, it is important to note that the model proposed in this work will have a different emphasis. A comprehensive list of the most common integration approaches developed by various authors is presented in the Table 4.1. As can be seen from this table, the various integration approaches are very similar in nature and make-up and generally involve or infer the use of strategic, organisational and cultural integration tasks. For example, in Haspeslagh & Jemison's (1991) framework, the choice of integration mode depends upon two main variables; the need for strategic interdependence i.e. strategic fit, and for organisational autonomy i.e. organisational fit which includes cultural fit. Their framework consisted of four approaches to the level of integration, which are absorption, preservation, symbiosis and holding.

In general, the various integration approaches involve making a choice about level of integration that the organisation deems necessary in order to achieve a successful integration outcome (as listed in Table 4.1). Hence varying levels of strategic, organisational and cultural integration based on their levels of importance i.e. weighting, will be required for each approach depending on the level of integration required and the acquisition strategy.

These approaches come with two caveats and one needs to bear in mind that while these conceptually conceived and anecdotally developed integration approaches appear quite

Authors and their various types of integration approaches	Type of Integration approach and their make-up.	Type of Integration approach and their make-up.	Type of Integration approach and their make-up.	Type of Integration approach and their make-up.
Lynch & Lind (2001) Stand & Hold. Plan & Prosper. Merge & Grow. Segment & Sell.	Stand & Hold High goodwill / high disparity. Tinker very carefully. Consideration may be given to integrating financial systems and group buying. Full integration is likely to reduce and destroy value. Selected for its long-term performance prospects. Temptation to play with these acquisitions is almost irresistible. In particular, when profitability fails to emerge quickly, the strong inclination is to cut costs by doing a hurried integration.	Plan & Prosper High goodwill / low disparity. Similar industries, usually has some special expertise and a series of customer relationships that form a significant part of the value of the enterprise. Retain goodwill. Merging these entities quickly without careful planning for capturing this goodwill overtime will most likely cause loss of business to competitors. Careful succession planning, merging of cultures, incentivise contributory behaviour are all strategies to employ.	Merge & Grow Low goodwill / low disparity. Usually a strategy for gaining market share. The key behaviour here is rapid but careful integration. The speed with which redundancies are reduced is a key indicator of success. The overall objective should be to reduce expenses to pre-acquisition levels while attempting to maximise the revenue stream. Careful customer management needs to be done at the same time.	Segment & Sell Low goodwill / high disparity. Least desirable for two reasons. First, acquiring managers have little chance of leveraging their own business knowledge. Second, there is not much to recommend such acquisition because the acquired entity offers little special knowledge and few relationships of value to the purchaser. Sometimes such acquisitions are pursued for vertical integration purposes.
Birkinshaw, Bresman & Hakanson (2000) Task. Human.	Task Defined as the identification and realisation of operational synergies.	Human Defined as the creation of positive attitudes towards the integration among employees on both sides.		
Hubbard (1999) Hands off. Restructure and hands off with financial controls. Centralisation or integration of key controls. Full integration.	Hands off. Target company does not have a physical integration with the acquirer.	Restructure and hands off with financial controls. Target company is acquired, modified to some extent by the acquiring company and then left to operate in standalone capacity	Centralisation or integration of key controls. Combining of one or more key functions or departments with the intention of achieving cost savings via economies of scale.	Full integration. After acquisition, the target and acquiring companies merge the assets into one new company for the intended achievement of e.o.s., substantial cost savings / synergies.
Pablo (1994) Low. Moderate. High.	Low Is conceptualised as one in which technical and administrative changes are limited to sharing of financial risk and resources and the standardisation of basic management systems and processes to facilitate communication.	Moderate Includes increased alterations in the value-chain as physical and knowledge-based resources are shared or exchanged. Administrative changes necessitating reframing cultural bases of decision making. Also includes all of the low level characteristics.	High Is conceptualised as being quite inclusive, involving the extensive sharing of all types of resources (financial, physical and human), generalised adoption of the acquiring organisations operating, control and planning systems and procedures & complete structural and cultural absorption of the acquired firm. Includes all of the moderate characteristics.	
Schweiger et al (1993) Assimilation Novation Structural integration	Assimilation Combined and one unit adopts some or all of the identity (e.g. culture, human resources or mgmt. practices) of the other. Be forced (i.e. one unit is required to adopt the identity of the other unit or voluntary (i.e. one unit is happy to give up its own identity and adopt others).	Novation Two units are combined and a new identity is created; i.e. new cultures and practices are created.	Structural integration Two units are combined, but retain their own identities.	

Authors and their various types of integration approaches	Type of Integration approach and their make-up.	Type of Integration approach and their make-up.	Type of Integration approach and their make-up.	Type of Integration approach and their make-up.
Haspeslagh & Jemison (1991) Preservation. Symbiotic. Absorption. Holding.	Preservation Allows the acquired firm to continue to operate autonomously is thought to be suitable for unrelated acquisitions.	Symbiotic Theorised to be applicable for vertically related firms that blend together their operations to incorporate best practices from both firms.	Absorption For firms involved in horizontal acquisitions, it is deemed to be appropriate since it involves fully assimilating the acquired firm into the acquiring firm's operations.	Holding No integration involved. So not used as an integration approach.
Nahavandi & Malekzadeh (1988) Separation. Integration. Deculturation. Assimilation.	Separation Allows the acquired firm to maintain its existing culture. Similar to the preservation approach. Firms utilising this mode continue to function independently with minimal exchanges of culture, practices or systems.	Integration Involves combining aspects of both firms. Similar to symbiotic approach. This mode typically results in high levels of structural integration and some degree of change in both firm's cultures and administrative practices.	Assimilation Refers to the process of imposing the culture of the acquiring firm on the acquired firm closely resembles absorption approach. This mode leads to a single entity reflecting the culture, systems and administrative practices of the acquired firm.	Deculturation Corresponds to holding approach, in that there is an absence of any type of integration.
Shrivastava (1986) Procedural Physical Socio-cultural	Procedural Level Involves combining systems and procedures at the operating, management control and strategic planning levels. The objective of such integration is to homogenise and standardise work procedures. Standardisation of procedures facilitates communication between acquiring and acquired companies. It also improves productivity and reduces the cost or processing information. Three types of Procedural integration; Legal and accounting. Functional integration. Strategic business unit integration.	Physical Level It involves the consolidation of Product lines, Production technologies, R&D projects. Plant & Equipment. Real Estate Assets. A problem typical of post-merger integration situations is redeployment of assets in the process of resource-sharing. Mergers often occur between firms that have some Asset continuity. This means that merging partners possess some <i>common</i> assets and some <i>mutually exclusive</i> assets. These could be tangible as well as intangible assets.	Socio-cultural level Most difficult. Complex combination of issues related to the selection or transfer of managers, the changes in organisational structure, the development of a consistent corporate culture and a frame of reference to guide strategic decision making, the gaining of commitment and motivation from personnel and the establishment of new leadership. Personnel Transfer and Organisational Structure. Socio-cultural integration. Gaining Commitment and Motivating Personnel. Establishing new Strategic Leadership.	

Table 4.1 Most common integration approaches

similar in nature, they have for the most part been untested. Furthermore, whilst the authors' suggest what is included in each approach, they do not specifically mention or note terms such as "strategic", "organisational" or "cultural tasks" although they are implicitly implied through the integration actions required.

As this research relates to developing a complete model for M&A integration success, these integration approaches are not considered further here. It is, however, worth

noting in passing that other terms used in literature for integration approach are *level of integration* or *approach to integration*.

4.4 Performance evaluation

The development of an acquisition strategy and appropriate acquisition strategy criteria in addition to the development of both pre- and post-integration strategies and the adoption of the most appropriate integration approach would, in turn, determine the performance measurement requirements.

A number of authors believe that there are numerous issues other than fit factors that determine M&A success. However this research is focussed on acquisition integration and the development of a complete acquisition integration process model based on the acquisition strategy. Hence these issues, i.e. other than fit factors, are beyond the research scope being conducted here.

Establishing a measure of success or failure in M&As is difficult as standard business measures of performance are inadequate (Kitching, 1974). The use of a specific measurement technique needs to take into account that each M&A motive may differ and hence the weighting of fit factors may differ accordingly (Pablo, (1991 & 1994) and McDonald, Coulthard, & de Lange, (2005)). This has implications for the acquisition strategy and criteria and consequently a composite performance measure is required (Kitching, 1974) with multiple criteria (Pablo, 1991 & 1994) that sets current satisfaction levels against the M&As original motives (Kitching, 1974). Epstein (2004) agrees as he found that “a successful post-merger integration requires the creation of measures that are well-aligned with the merger strategy and vision” (p.178).

This acquisition strategy concept of performance measurement has been expanded on as a concept by many, including Jemison & Sitkin (1986), Kim (1998) and Handler (2006).

However research shows that management often neglect to establish measures of success as it has been found that that only 45% of organisations used a formal performance tracking plan and that only 44% measured integration success, whilst 23%

did not measure performance at all (Gates & Very, 2003). Hence can anything be done to reverse this situation?

4.4.1 A recent move towards the use of critical success factors

An alternative approach to performance evaluation which could be potentially incorporated in the proposed acquisition integration model is to use generic criteria, called “critical success factors” (CSFs).

Research has shown that the best approach to measuring performance is to use both subjective and objective measures (Kitching, 1974), where subjective measures are measured against the original strategy i.e. acquisition strategy and objective measures have a focus on the financial results. Subsequent to this Pinto and Slevin in 1987 suggested the use of more organisational and behavioural i.e. cultural orientated than technical CSFs be used. Kim (1998) and Handler (2006) identified a series of critical success factors in the pre- and post-acquisition phases. Ward and Rossettie, carrying out research at the same time as Kim in 1998, found that the key was to identify which indicators were critical and from this that an organisation needs to monitor and control them.

While published critical success factors (CSFs) tend to lean towards financial measures, there is scope and some evidence of efforts to use them as performance measures for all of strategic, organisational and cultural categories.

4.4.2 Pre-acquisition measures

This model proposes, in the pre-acquisition stage, to develop a set of measures that match the overall acquisition strategic emphasis through strategic, organisational and cultural fit factors and then to apply these during the integration process which is one of the critical success tasks.

Ellis in 2000 found that when the literature is considered collectively, the fit between the firms in addition to various other factors need to be examined, as these are necessary to determine pre-acquisition performance. King (2002) found that the possession of complementary resources positively influences the outcome as these contain elements of

strategic and organisational fit. Handler (2006) also identified a series of strategic, organisational and cultural fit factors.

In analysing the literature on pre-acquisition integration performance measures it is apparent that not much research to date has been carried out in this area and that most of the research has been focused on post-acquisition performance measurement. Again, this may be one of the issues contributing to high failure rates in M&As and also to poor pre-acquisition integration management as managers have no way of assessing the pre-acquisition integration progress or its success.

4.4.3 Post-acquisition measures

No definitive post-acquisition performance measures exist despite the amount of published research on the topic (King, 2002). The author of the model being developed here proposes a simple re-evaluation of the pre-acquisition measures of success immediately post-integration.

A range of post-acquisition performance measures used in the literature is highlighted in Table 4.2. Zollo and Meier, in 2008 in their Meta review, categorised post-acquisition performance measures in order of those most frequently used to those least frequently used. In this analysis the authors leaned towards financial measures occupying the top 4 slots, followed by a M&A integration process performance measure and then strategic, organisational and cultural performance measures. This will be correct only in a limited number of cases and accordingly the authors should not have been so prescriptive, as there is no one-size-fits-all ranking of measures.

Zollo and Meier's results are, however, similar to those established by both Kim (1998) and Handler (2006) who both found that strategic, organisational and cultural fit critical success factors were not ranked in the top 5 and that management viewed financial performance measures as being more important. Hubbard (1997) on the other hand found in her doctoral studies at Oxford University (Bodleian) that even though financial measures are a viable means to measure acquisition success, there are several limitations to their accuracy and appropriateness. She also found that one needs to use additional measures in conjunction with financial measures as financial measures will involve tasks being carried out in integration in order to achieve them. Thus, by combining financial measures (objective) with strategic, organisational and cultural 'fit'

factors, the organisation is increasing the chances of success for the acquisition integration process as on its own it will not guarantee success, but without it the chance of failure is greater.

Author	Post-acquisition performance measures
Pinto & Slevin (1987)	1. Clearly defined goals, 2. Competent project management, 3. Top management support, 4. Sufficient resource allocation, 5. Adequate communication channels, 6. Control mechanisms, 7. Feedback capabilities, 8. Responsiveness to clients.
Morris & Hough (1987)	1. Project functionality, 2. Project management, 3. Contractor's commercial performance and 4. Project cancellation.
Chatterjee (1992)	1. Innovation, 2. Action orientation, 3. Risk taking, 4. Lateral integration, 5. Top management contact, 6. Autonomy and decision-making and 7. Reward orientation.
McCann (1996)	1. Increased market share, 2. Increased capacity to offer new products and services, 3. Improvements in brand and reputation, 4. Improved efficiency in resource allocations, 5. Increased scale economies, 6. An enlarged asset base and 7. Acquisition of management experience
Ellis (2000)	Financial performance being profitability and stock price, whilst market performance is revenue growth, market share and innovation.
King (2002)	1. Diversification (any measure), 2. Firm size or relative size, 3. Acquisition experience, 4. Accounting method, 5. Industry controls, 6. R&D expenditures, 7. Hostile or friendly acquisition, 8. Debt level, 9. Form of acquisition. 10. Target firm performance.
Epstein (2004) citing JP Morgan Chase	1. Financial measures. 2. Risk management, process and control. 3. Internal / External client focused measures and 4. Employee-focused measures.
Hanna (2005)	1. Task definition, 2. Standardisation, 3. Specialisation of tasks, 4. Nature of control, 5. Social interaction, 6. Group cohesiveness, 7. Commitment, 8. Motivation, 9. Communication, 10. Sources of information, 11. Content of communications, 12. Decision making, 13. Knowledge, 14. Conflict, 15. Prestige, 16. Power, 17. Management style, 18. Culture type and Organisational / Environment Relationship.
Zollo & Meier (2008)	1. Short-term financial performance, 2. Accounting performance, 3. Long-term financial performance, 4. Overall acquisition performance, 5. Integration process performance, 6. Employee retention, 7. Innovation performance, 8. Acquisition survival, 9. Knowledge transfer / systems conversion / variation in market share and finally with no uptake in use, 10. Customer retention.

Table 4.2 Post-acquisition performance measures

In the model proposed for consideration here the author will adopt a series of appropriately weighted critical success fit factors in the pre-acquisition stage based on the acquisition strategy and using these factors to monitor performance in this stage. Subsequent to this in the post-acquisition stage these critical success fit factors may be revised based on the new found realities that the acquiring organisation finds itself in and converted into organisational and cultural tasks.

Chapter 5 Literature synthesis

The author has clearly highlighted in the above literature review that M&A integration suffers from high failure rates, with managers being prone to changing their minds as they have no framework i.e. process model, to guide them through the process (Howell, 1970) or if they do have a process model, then it lacks various stages of the complete process. But, clearly M&A integration management has potential benefits as the literature shows that if it can be carried out, then there is a good chance that the acquisition can be a success (Haspeslagh & Jemison, 1991) as there is an 80% correlation between successful integration and overall success of the acquisition (Hunt, 1990; Shrivastava, 1986).

Consequently the author will try to establish in this research if the development of a complete acquisition integration process model would help to reduce this high incidence of failure by providing a more focused and structured approach to the acquisition integration management process.

The author has focused on a number of themes, from the acquisition strategy driving the integration process, respective integration process models with the acquisition strategy at their core, to the stages involved in the process and how the various integration factors are aligned throughout these stages. In this literature synthesis chapter the author will connect all of these themes in the development of a complete conceptual acquisition integration process model as per Figure 5.1.

5.1 Development of a conceptual acquisition integration process model

5.1.1 Acquisition strategy

The acquisition strategy is the rationale for the acquisition as each acquisition has its own unique motivation (Howell, (1970); Jemison & Sitkin, (1986 a, b); Pablo, (1991); Ellis, (2000)) and goals which need to be clearly stated as it serves as the driving force for the integration process. By aligning this acquisition strategy throughout the complete integration process the chances of integration success are greatly improved (Howell, (1970); Jemison & Sitkin, (1986 a, b); Schweiger et al., (1993); Pablo, (1991 & 1994); Askenas, DeMonaco & Francis, (1998); Ellis, (2000); Birkenshaw, Bresman & Hakanson, (2000); Bower, (2001); Gadiesh et. al., (2003); Epstein, (2004)). Acquisition success is achieved when the acquisition strategy is realised. Therefore in

A complete conceptual process model for acquisition integration success
 Q: How should acquiring organisations align acquisition strategy throughout the complete M&As integration process?

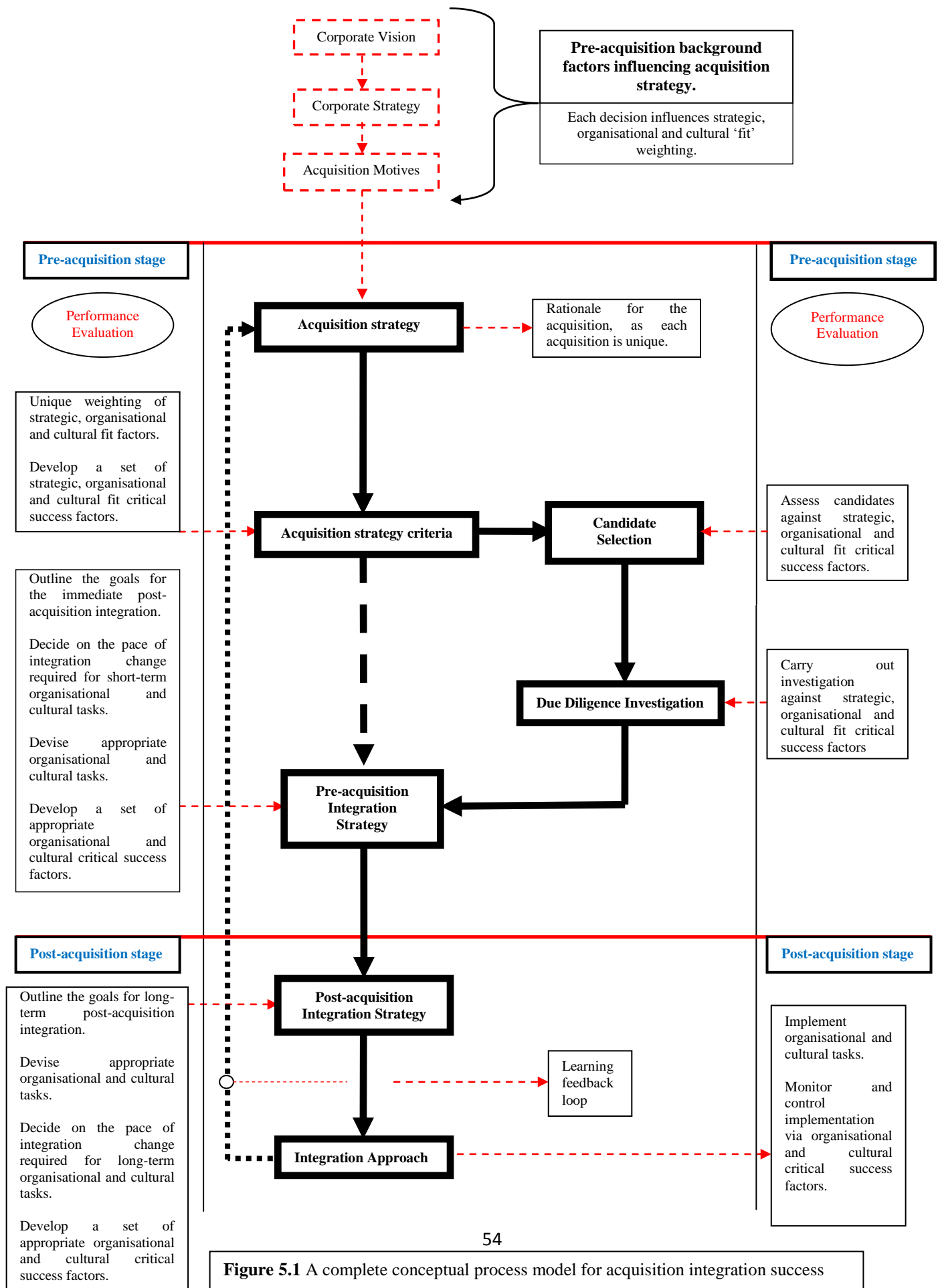


Figure 5.1 A complete conceptual process model for acquisition integration success

order to realise this success, the organisation needs to measure and monitor performance and as a result criteria upon which to assess this achievement need to be established.

5.1.2 Acquisition strategy criteria and candidate selection

The acquisition strategy is posited to be achieved by matching the strategic, organisational and cultural fit characteristics in the acquisition integration process, as fit is posited to influence post-acquisition performance through its effect on the firm's ability to integrate previously separate firms (Jemison & Sitkin, (1986 a, b); Pablo, (1991 & 1994); Ellis, (2000)). As each acquisition is unique, the respective fit factors will not always be of equal importance (Pablo, (1991 & 1994); Ellis, (2000)). Consequently the unique weighting of the strategic, organisational and cultural fit factors has to be clearly stated.

In addition performance measurement criteria, called critical success factors, need to be assigned to each of the respective fit factors. These acquisition strategy criteria are subsequently used to assess the target candidates' suitability (Jemison & Sitkin, (1986 a, b); Pablo, (1991 & 1994); Ellis, (2000)) and In addition they are used in the evaluation process in the due diligence investigation.

5.1.3 Due diligence

The due diligence investigation has been recognised as an important aspect of the M&As process (Shrallow, (1985); Askenas, DeMonaco & Francis, (1998)). This thorough examination is based on an assessment of the strategic, organisation and cultural fit critical success factors developed at the acquisition strategy criteria stage. This is in addition to the financial and legal investigations that are usually carried out.

The results of this examination are subsequently used to develop a pre-acquisition integration strategy (Askenas, DeMonaco & Francis, (1998); Ellis, (2000)) which is the next stage in the process.

5.1.4 Pre-acquisition integration strategy

Upon completion of the due diligence process, the parent organisation will be able to assess the level of fit (match) between both organisations, tentatively at least, as it may

not have access to all of the information required. From this assessment it can determine the most appropriate level of integration for the acquisition, as Ellis (2000) found from her research that management underestimate the importance of the due diligence process to the integration of acquisitions.

A two-pronged approach to integration is well worth considering, one in pre- and one in post-acquisition. The first stage is pre-acquisition integration and this generally involves developing a short-term strategy, anywhere from 100 days to 2 years (Askenas, DeMonaco & Francis, (1998); Ellis, (2000)) as this facilitates the integration team starting the integration process immediately post-closing.

This pre-acquisition integration strategy needs to set out the rationale and goals for the immediate post-acquisition integration process. In order to facilitate this, the results from the due diligence fit factor investigation need to be re-assessed against the acquisition strategy and acquisition criteria to ensure that the M&A process will produce the desired result (Howell, 1970). When this re-appraisal is complete the pre-acquisition integration strategy should be developed and it should include the goals, milestones and performance indicators for the integration process (Schweiger et al., 1993).

At this point the strategic, organisational and cultural fit factors need to be converted into organisational and cultural tasks, as it is clear from the published literature that synergistic benefits i.e. strategic fit can only be realised post-acquisition through organisational and cultural integration tasks (Walenciak, (1991); Pablo, (1994); Harwood, (2001); Barkema & Schijven, (2008)).

In addition the pace of change during integration can be different for each of these fit factors (Ellis, 2000) and hence each task will have to be assigned an appropriate time frame i.e. as it may take longer to integrate cultures than it might to integrate systems. Likewise, the results from the financial and legal appraisal and post-acquisition integration requirements may require that extra organisational and cultural tasks be undertaken.

Consequently in the pre-acquisition stage the parent organisation needs to develop a pre-acquisition strategy that highlights the goals for the immediate post-closing

integration process, that devises organisational and cultural fit tasks with appropriate critical success factors and that in addition determines the pace of change for each of the organisational and cultural fit tasks.

5.1.5 Post-acquisition integration strategy and integration approach

Upon closing of deal the parent organisation will need to appraise itself of the new realities of the situation that it finds itself in as it may not have had access to the full documentation in the due diligence investigation process and all may not be as it appeared in the pre-acquisition stage when everyone was getting caught up in the rush to close (Jemison & Sitkin, 1986 a, b).

Until this post-acquisition investigation and consequent strategy development aspect has been completed, the strategy developed in the pre-acquisition stage will be used to implement the integration strategy. When this investigation is complete and the data assessed, a long-term post-acquisition integration strategy should be developed by refining the pre-acquisition integration strategy, particularly the organisational and cultural fit tasks with appropriate critical success factors, as well as the pace of change for each of the organisational and cultural tasks.

Throughout the subsequent integration, it is critical to monitor and control the integration, measured against organisational and cultural fit critical success factors. In addition when the integration process is complete or prior to completion as integration may take up to 7 years (Quah & Young, 2005) the parent organisation needs to reappraise and review the M&A process, i.e. a learning and feedback loop (Roberts, Wallace & Moles, 2003).

5.2 Acquisition integration and the way forward for this research study

The integration process is highly complex and fraught with risk. Parent organisations can improve the chance of success by aligning the acquisition strategy throughout the complete acquisition integration process to achieve a successful acquisition integration outcome. But if history is any guide, then more than half of all acquisitions will result in failure (Hitt et. al., 2009) and a third of these failures are due to integration failure (Kitchen, 1974).

Therefore anything that can be done to improve the chances of success of the acquisition integration process would be greatly welcomed. It is with these findings in mind that the author in this study wishes through field research to develop a complete acquisition integration process model and to discover - 'How or if acquiring organisations should align acquisition strategy throughout the complete acquisition integration process'

5.3 Conclusion

The literature highlights both the absence of and the need for a complete acquisition integration process model to enhance the prospects of success. Furthermore, it is crucial that such a model be based on the principle of the acquisition strategy driving the acquisition integration process. In this exploratory research study four case studies will be used to assess, in a real world setting, how organisations actually carried out acquisition integration and the author will look at the development of a complete process model for success in acquisition integration.

In the following chapter the author will consider the most appropriate research design and methodology for this research study in order to achieve the research aim of developing a complete acquisition integration process model.

Chapter 6 Research design and methodology

In the preceding literature review the author established that the complete approach that organisations take in assessing and carrying out integration is not fully understood. Most studies (Shrallow (1985); Birkinshaw, Bresman & Hakanson (2000); Perry & Herd (2004); Cording, Christmann & King (2008); Lemieux & Banks (2007)) focused on a specific aspect whereas an assessment of the whole process is required. In response to this research gap the author aims to develop a process model in this work encompassing the complete acquisition integration process. The proposed acquisition integration process model is based on the premise that the acquisition strategy will drive the acquisition integration process. In the following chapter the author outlines in detail the methodologies that were used in order to gather new data to address this knowledge gap and to develop the process model by using the complete conceptual process model as a foundation for this exploratory study. See Figure 6.1 for Research design and methodology roadmap.

6.1 Research title, question, aim and objectives

Research title

A process model for acquisition integration success.

Research question

How do acquiring organisations align their acquisition strategies throughout the complete acquisition integration process?

Research aim

To develop a complete acquisition integration process model for improved acquisition integration.

The research objectives were identified as follows:

- To establish the need for a complete acquisition integration process model.
- To investigate how acquiring organisations address strategic, organisational and cultural alignment and fit.
- To develop a complete acquisition integration process model.

6.2 Research design roadmap

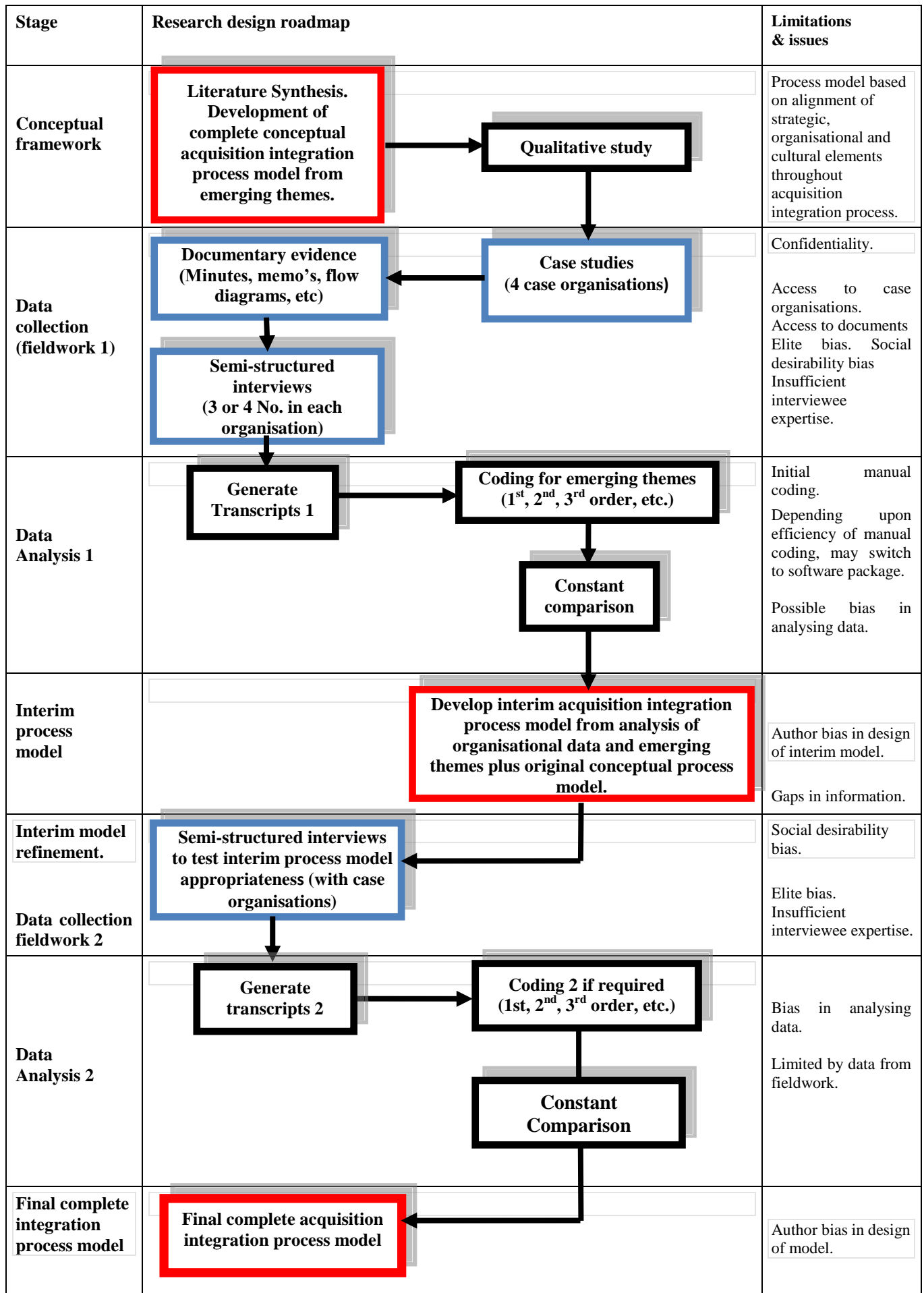


Figure 6.1 Research Design and Methodology Roadmap

6.3 Research limitations

In this research study the author adopts a qualitative approach in order to understand how organisations carry out acquisition integration in a real world setting. The results of this analysis in combination with the literature will be used to develop an in-depth acquisition integration process model which he hopes will provide managerial guidance in this under-researched area.

The scope of this study is limited to three elements of the complete acquisition integration process, namely how the parent organisation addresses the strategic, organisational, and cultural fit elements of the newly acquired company.

A large proportion of the literature (Howell, (1970); Jemison & Sitkin, (1986 a,b); Schweiger et al., (1993); Askenas, DeMonaco & Francis, (1998)) on M&A integration process models have developed practice informed integration process models that may have weaker methodological approaches, as they are not supported by systematic empirical research. They have, however, been accepted and in some cases adopted in M&A literature, and this study argues for their inclusion in this work as necessary steps in the development of a complete acquisition integration process model.

Another limitation is the adoption of only 4 case studies. This will not allow for generalisability of the model, but by adopting the research methodology stated below, it will confirm the transferability of the model.

While the literature tends to interchange mergers and acquisitions, this researcher focuses only on examining acquisitions in the present work. There are a number of reasons for this delimitation. Firstly it keeps the research focused and makes it more manageable in the time frame proposed and secondly, from a practical perspective the case study organisations have only carried out acquisitions. A comprehensive discussion on this research study's limitations is provided in Chapter 11 (Conclusions and Suggestions for Further Research).

6.4 Pragmatic qualitative research

In carrying out this study, a quantitative approach, a qualitative approach or a combination of both of these approaches could have been adopted. Hennink, Hutter & Bailey (2011) advise that when approaching a research design, the following should be considered

‘Quantitative research is used to quantify a research problem, to measure and count issues and then to generalise these findings to a broader population. The outcomes of quantitative research lead to the identification of statistical trends, patterns, averages, frequencies or correlations. In contrast, the purpose of qualitative research is to understand or explain behaviour and beliefs, identify processes and understand the context of people’s experiences. Qualitative data analysis is interpretive, whereby researchers seek to interpret the meanings that participants themselves give to their views and experiences’ (p.16-17).

Also the decision to approach a study “quantitatively or qualitatively depends on the research questions driving the study, prior work, the planned research design, and the desired contributions the researchers wish to make” (Edmondson and McManus, 2007). In addition the literature on a given topic will “demand a qualitative examination or re-examination to document a new phenomenon or test perceptions, whereas research on an established phenomenon is more likely to demand the generalisability that comes from deductive quantitative research” (Welch et al. (2011))

Lee et al. (1999) found that the “interpretative qualitative approach to research is unique in its ability to address issues of description, interpretation, and explanation, whereas quantitative research is better suited to address questions of prevalence, generalisability and calibration”. Indeed Eby et al., (2009) has found that qualitative research is in many ways on par with quantitative research.

Hence, given the exploratory nature of the study and ‘how’ acquiring organisations go about the complex integration process in a real world setting, a qualitative approach to the research is essential as it facilitates the uncovering of the deeper processes within the case organisations and understanding how these processes unfold over time. The qualitative approach should provide a “strong handle on what ‘real life’ is like” (Miles and Huberman, 1994, p.10), as it affords “strong potential for revealing complexity” (ibid) and gives a “richness and holism” (ibid) to the data.

Further support for this decision is provided in the M&A literature where there has been a move towards this exploratory perspective to examine the business world social interactions and decision-making processes. Meglio and Risberg (2009) observed that “cross-sectional correlation testing studies can only provide a very limited understanding of M&A processes and what it is that affects their outcomes” (p. 6). Likewise, Haleblan et al., (2009) contend that we “develop a deeper understanding of the cognitive and behavioural decision-making processes that form the basis for acquisition behaviour and, ultimately, affect acquisition outcomes” (p.492). Therefore adopting a qualitative research approach aids the gathering of rich, deep data about the actual integration process that averages and frequencies cannot provide.

As the author in this study has adopted a qualitative approach, the philosophies underpinning qualitative studies will be briefly considered. There are “several different philosophies that qualitative researchers work within” (Savin-Baden & Major, 2013, p.21):

“Critical social theory investigates power relationships and aims for transformation. Phenomenology focuses on human experiences and seeks to uncover meaning before participants categorise it. Post-modernism/structural focus on text and sub-text and their deeper meanings. Social constructionism focuses on interpretation of subjective meaning and shared knowledge that is developed through interaction. Pragmatism focuses on observation of natural behaviour in a natural context”

A pragmatic qualitative research stance has been adopted by this author with the aim of linking “theory and practice” (Savin-Baden & Major, 2013, p60) as “pragmatist researchers focus on the ‘what’ and ‘how’ of the research problem” (Creswell, 2003, p.11). The explorative nature of the research question is particularly suited to undertaking empirical work which is grounded on real life situations in order to build a theory which reflects an acquiring organisations integration activities.

Also the pragmatic researcher considers “the research problem as central and applies all approaches to understanding the problem” (Creswell, 2003, p.11). With the research question being regarded as central, the researcher chooses the appropriate data collection and analysis methods that are most likely to provide insights into the question, without any loyalty to a specific research approach, thus allowing for eclectic approaches to research that are necessary to answer the research questions (Tashakkori

and Teddlie, (2003); Somekh and Lewin, (2005)). “Indeed, pragmatists emphasise the importance of trying different methods and then evaluating them based upon their effectiveness. Therefore good research is a trial- and-error process” (Savin-Baden & Major, 2013, pg. 60-61).

In addition Lee (1999) found there to be four defining characteristics of superior interpretative qualitative research in management and each of these were found to have occurred in the research carried out here. These are, 1. It occurs in the natural setting of the organisation. 2. Data originates from the participants perceptions of their experiences. 3. Qualitative research is reflexive in that the design of the data gathering and analysis changes as the research situation unfolds. 4. Methods of qualitative data collection and analysis are not standardised.

Hence, a qualitative approach was adopted in this research. The next element in the research design involved determining the most appropriate way to collect data for the study.

6.5 Data Collection

6.5.1 Case studies

A pragmatic qualitative approach has been adopted because it focuses on the ‘how’ of the research aim and a case study method was employed as “case studies are the preferred strategy when “how” or “why” questions are being posed” (Yin, 1994, p.1). Welch (2011) found that the aim of case studies is the “holistic interpretation of the text that goes beyond its literal meaning. Hence, one can analyse methods of theorising “in context” rather than “away from context”” (p.743). Therefore the adoption of case studies facilitates an “empirical inquiry that investigates a contemporary phenomenon, with-in its real life context” (Yin, 1994, p.13), as Piekkari et al. (2009) believe a case study is “a research strategy that examines, through the use of a variety of data sources, a phenomenon in its naturalistic context, with the purpose of ‘confronting’ theory with the empirical world” (p.569). Savin-Baden & Major (2013) support this definition as they found that case studies provide for the depth of investigation that is required, as they are thorough and use multiple sources (Savin-Baden & Major, 2013).

Nonetheless in adopting a case study approach for this research, a number of challenges could have been encountered, as was highlighted by Yin (2009) who observed that some researchers disdain the use of case studies on the basis that they lack rigor and “provide little basis for scientific generalisation” (p.15). But Stake (1995) questions the ideals upheld by positivist case traditions, including generalisability, causality and objectivity. Indeed Yin (2009) found that case studies are like experiments in that they “are generalisable to theoretical propositions and not to populations” (p.15), whilst Welch et al. (2011) believes that the “lack of statistical generalisability does not preclude case studies from having a strong explanatory contribution to offer” (p.747).

In addition case researchers have concluded that “generalisations are not universalities; they are always necessarily limited” (Welch et al., 2011, p.750), whereas case studies enable the rich contextual description essential to understanding (Lincoln & Guba, 1985) and the “strength of the case study lies in its high degree of internal validity” (Welch et al., 2011, p.746). Indeed Stake (1995) believes “that “particularisation” is the goal of case studies: that is, an understanding of the uniqueness of the case in its entirety”.

Hence the adoption of a case study based approach suited this exploratory method as it allowed the researcher to consider the complexities of the acquisition process and to explore in detail how acquiring organisations integrate newly purchased operations along strategic, operational and cultural fit lines. Furthermore by adopting two methods with which to gather data in the case organisations, namely documents and semi-structured interviews and adopting a comprehensive data analysis technique i.e. constant comparison, the research study addresses various biases by triangulating findings.

Therefore in adopting case research the aim of the author was “to expand and generalise theories (analytic generalisation)” (Yin, 2009, p.15) and provide a “thick description of how the social context imbues human action with meaning” (Welch et al., 2011, p.747). In addition to the above a number of other issues and concerns arising from the use of case organisations will be dealt with later in the research ethics section.

Case study data collection

There are a number of data collection methods appropriate to case study research and these are observation, focus groups, documents and interviews. Multiple data sources are required (Bonoma, 1985) to provide a holistic description of the issues and processes (Hakim, 1987) and assist data collection triangulation i.e. two or more methods. However not all of these methods are appropriate to this research study, due in part to the confidential nature of acquisition integration process. The rationale for the selected method is provided below.

Within the acquisition integration process, collecting data through observation can be challenging as several people are frequently involved in the decision making process and many of these decision makers may not always be readily available for interviews. In addition integrations are a very time consuming process and can take between 2 and 5-7 years (Bower (2001) and Quah & Young (2005)). Additionally acquisitions are highly confidential and participants may not wish to have a researcher observing their decision making processes and consequently they may refuse to be interviewed. Therefore observation was not used as a data collection method in this research study.

The use of focus groups would be too time-consuming for busy executives due to the number of people involved in the integration process and their availability for interview cannot always be guaranteed. Also, as the initial stages of the acquisition process are highly confidential, participants might not wish to reveal what is considered to be confidential information to strangers. Hence the use of focus groups in the data collection process was not used in this study.

That leaves documents and interviews and like the previous methods, confidentiality is a major concern with these two approaches. However both approaches have the potential to provide rich deep data sources of information if agreement can be reached to use them and such agreement was reached with four organisations from which data was collected from documentary evidence and interviews. The managing directors and members of the senior management in each of the chosen four case study organisations were interviewed. Each of these data collection methods will now be discussed in detail.

Data collection using documents

It was originally proposed to gather and analyse documentary sources first to provide good quality information and insights into the integration process that was undertaken.

These insights were subsequently used to ground the semi-structured interviews and hence make the interview process more fruitful, as documentary evidence provides a “rich and often readily accessible source of information for understanding participants and the research context” (Savin-Baden & Major, 2013, p.403). The use of documents as a data collection method is closely associated with the pragmatic qualitative research approach used in this study, as it can provide “qualitative researchers with information that they might not be able to gain through other data collection approaches” (ibid, p.404) and it is “particularly useful for providing historical context and background information of a research environment” (ibid, p.404).

The material gathered from each case study organisation varied from publically available information about the integration including annual reports, newspaper clippings, web information, etc. - secondary evidence, to strategies, meeting minutes, memos, letters and flow charts, etc. i.e. primary evidence. The four case study organisations were contacted and confirmed through letters that they would make available documents on the integration (see letters in Appendix G). This information only pertained to the acquisition integrations as “extraneous information can be distracting and misleading” (Savin-Baden & Major, 2013, p.407).

The researcher is aware that there are a number of issues arising from the use of documents in this study, as this method is new to qualitative research and some feel that it is “less scientific or empirical than other data forms” (Savin-Baden & Major, 2013, p.410). In addition some documents are “created for a specific purpose, so in some ways documents can be stages, thus they tend to reveal what the cultural group wants others to know” (ibid, p.410). Appropriate care was taken throughout the analysis process.

Data collection using semi-structured interviews

Between three to five semi-structured interviews were carried out in each case study organisation, with managers involved in the acquisition integration process, as interviews are the most common method of gathering data for qualitative research (Savin-Baden & Major, 2013). Semi-structured interviews were adopted to gather complex in-depth information, as they focus on the insights gained by individuals and their analysis of acquisition integration contextual factors. Hence from the pragmatist’s perspective they are seen as “the time during which meaning is to be found” (ibid, p.358).

Semi-structured interviews allow the interviewee to expand openly to the interviewer's questions. These questions were based around the literature synthesis main themes in order to provide insights into what happens in the real world of acquisition integrations i.e. they provided a richness to the data as well as allowing for an in-depth insight. In addition they have been used extensively in other M&A integration studies by Kitching (1967 & 1974), Jemison & Sitkin (1986a, b), Cartwright and Cooper (1990), Pablo (1994), Pablo, Sitkin & Jemison (1996), Cote, Langley & Pasquero (2000), McDonald, Coultard and de Lange (2005) as well as Quah & Young (2005) in their research. See Appendix C for interview questions used in case studies.

In adopting this exploratory semi-structured interview approach, a number of themes emerged from the literature on the acquisition integration process. The interview questions were based around these themes which had been subsequently modified based on the results from the pilot interviews. Adopting this approach provided consistency allowing for both rigorous data analysis and for the interviewee to expand on their insights into the integration process.

Social desirability bias remained a serious challenge when using the interview process as sometimes interviewees may have wished to be seen in a good light and to therefore tell the interviewer what they thought he wanted to hear, instead of the truth (Yin, 2009). In addition the author had to be careful that the study did not suffer from elite bias (Savin-Baden & Major, 2013), as semi-structured interviews only with senior management were conducted.

These issues were particularly relevant in this study, as participants might not have wanted it to be known that they were involved in an acquisition that was unsuccessful. Hence the author had to be careful that participants did not only offer the positives as to what happened in the complex acquisition integration process. The impact of this bias was reduced by interviewing 3 to 4 participants in each organisation, and secondly, by comparing responses with any documentary evidence which was presented.

Case study samples

It is not uncommon in acquisition studies that the data sample is small, due in part to the in-depth nature of the access requirements, the confidential nature of the data and the

strategies employed. The literature suggests that the number of case studies used in M&A research varies from one grounded theory case, to two ethnographic studies up to five cases. Yin (2009) advises using between four and ten case studies. Additionally Hennink, Hutter & Bailey (2011) suggest that a small number of purposely selected samples be chosen.

The author found that gaining access to case study organisations was quite difficult. This may have been due to the fact that failure rates are high in acquisitions and organisations may not want to reveal failed acquisitions, hence the sample pool may be limited. So unfortunately if only successful organisations are used a true picture of the complexities of the integration process may not be revealed. Hence judgement on this aspect had to be reserved initially, as it was not until a full analysis with suitable performance evaluation criteria was undertaken that a decision could be made on success or failure, which in any case is a wholly subjective concept.

The author adopted a theoretical sampling rationale in the selection of case organisations. In adopting this rationale in the selection of case organisations the researcher wanted to “replicate or extend the emergent theory, or fill theoretical categories” (Fletcher & Plakoyiannaki, 2011). Fourteen organisations were approached by the author initially from following industry sectors; media and publishing, health and pharmaceutical, I.T. and telecoms, food/food services, leisure and travel, financial services, support services, print and paper, building, construction and property, industrial, retail and professional and technical.

Information on these fourteen organisations was obtained from quarterly reports produced by National Commercial Bank (N.C.B.) Stockbrokers on M&A transaction activity carried out in Ireland over the last number of years. The author adopted the theoretical sampling criteria set out below in selecting these fourteen organisations. Each organisation was contacted by phone and asked if they would be willing to participate in the study and agreement to participate in the study was reached with four organisations once confidentiality letters were signed. Subsequently one case study organisation refused to continue with the research process on advice from its legal team. An alternative organisation was eventually sourced using the same criteria (see letter details in Appendix G).

Four case studies were chosen for this research using the following **theoretical sampling criteria**:

- each acquiring organisation had carried out the acquisition for strategic reasons.
- the interviewees were sufficiently knowledgeable to comment critically on their acquisition.
- the interviewees would avoid possible conflict of interest.
- the interviewees consented to being interviewed.
- each acquisition organisation consented to provide documentary evidence.
- each acquisition was large enough to warrant detailed input and decision-making from circa three individuals.

(Foddy, 2004)

The case study sample

Firm	Recent Acquisition	Interviewees	Contacted	Industry	Confidentiality
Org. A	Confidential	C.F.O. Parent. C.F.O., C.O.O., Integration Manager. H.R. Director.	Yes. Have case & document letter.	Pharma	All details must be anonymised.
Org. B	Confidential	C.E.O., C.F.O., C.O.O. and C.T.O.	Yes. Have case & document letter.	IT and Telecoms	All details must be anonymised.
Org. C	Confidential	Integration Director. Strategy Director. H.R. Director. Finance Director.	Yes. Have case & document letter.	Financial	All details must be anonymised.
Org. D	Confidential	C.F.O., C.O.O. and C.F.O acquired organisation	Yes. Have case & document letter.	Media	All details must be anonymised.

Table 6.1 Case study organisations (Details anonymised)

6.6 Data Analysis

The deductive nature of this research study is one of reconciling theory and practice in a natural context (Savin-Baden & Major, 2013) and the literature chapters are used to guide this deductive process.

6.6.1. Coding

The unit of analysis was the acquisition and the acquiring company. The theoretical process model emanating from the literature synthesis was used to provide a structure for developing themes (Savin-Baden & Major, 2013) that were used to guide the author

in this research design chapter, in his interview questions and in his document search. In the subsequent analysis and interpretation of collected data, issues should begin to “stand out in the data set, such as behaviours, events, strategies, etc.” (ibid, p.421) and these are assigned “a descriptive label that captures the meaning of each data segment” (ibid, p.421) which is called coding. Consequently in this research study a coding approach to handling data was adopted by the author and this involved a number of rounds of coding which the author has expanded on in Chapter 8.

All documents and interviews were transcribed. For the first case study all data was manually coded. Upon completion of this process a decision was made to switch to using a software package for efficiency purposes (see Chapter 8 for details). The idea being that by coding the first case study manually at least, a feeling is got for the process and the appropriateness of relevant codes and themes (ibid, 2013).

6.6.2 Data Analysis

Upon completion of the coding process, the qualitative data from this study was analysed as

“qualitative data analysis is an on-going process that involves breaking data into meaningful parts for the purpose of examining them. The ultimate goal of qualitative data analysis is to make sense of the data, with the intentional effort toward answering the research questions” (Savin-Baden & Major, 2013, p434).

Lee (1999) also suggests that the qualitative data analysis process is

“analogous to an exploratory factor analysis in which large amounts of data are evaluated, simplified and reconstructed into major themes and categories that result in a greater understanding of the initial data, thus, turning large amounts of data into a few ‘factors’ that explain the phenomenon better than the original data could”.

Indeed this was the case in this research study and this data analysis element is supported by Welch et al. (2011) who found that each iteration in the data analysis process leads to a modification and enrichment of the conceptual understanding of the phenomenon (p.744), whilst Dubois & Gadde, (2002) found that in the iterative process ‘the original framework is successively modified, partly as a result of unanticipated empirical findings, but also of theoretical insights gained during the process (p.559).

There are numerous methods available for data analysis, from thematic analysis, constant comparison, content analysis, keyword analysis to domain analysis.

Constant comparison across the cases was adopted to identify common themes i.e. Cross case analysis and the generation of theory. The constant comparison technique is suitable for identifying process model interconnections, as the aim of the research is to analyse what organisations do in their acquisition integration process, i.e. ‘real world’ research, and subsequently use the results of the data analysis to develop a process model. This is a pragmatic focus, of placing “the research problem as central” (Creswell, 2003, p.11) to the study. Thus, the researcher needs to distance himself from bringing his or her own experience to bear as is the case with thematic analysis, in the development of a process model that is grounded in the reality of the participants’ experience and actions, as is the case with constant comparison.

Therefore the constant comparison approach alone was used in analysing data in this research study. The constant comparative approach comes from the grounded theory family (Charmaz, 2005). It is a more rigorous and scientific approach (Glaser & Strauss, 1967) that includes more detailed planning (as can be seen in Figure 8.1). It is also ideally suited to case studies. In addition carrying out In-case and Cross-case comparisons on the data as is the case with this study will ensure that the process model is grounded in the real world experiences of the participants.

Additional support for this approach was provided by feedback from the review panel on the conceptual process model, which suggested that “it was important not to rely on this model as possessing any validity beyond that which can be built through supporting empirical evidence” (Reviewer 2). In addition the pragmatist methodology adopted in this study supports the use of such a “trial and error approach” (Savin-Baden & Major, 2013) in learning.

Content analysis was not used in this study as the author was seeking to discover the interconnectedness between stages and content analysis examines for frequency and patterns of use of terms or phrases. Similarly, key word analysis was not used as it identifies words that have some sort of meaning in the larger context of the data and this is not a concern of the author.

6.8 Quality of research

In order to ensure the quality of this research study, a methodological coherence and triangulation strategy was adopted (Savin-Baden & Major, 2013).

Methodological coherence “involves ensuring congruence between the research question, methods, data and analytical process” (ibid, 2013). The research design incorporated this strategy and the outcomes from the literature synthesis were used to inform the documentary evidence searches and to develop the semi-structured interview questions. In addition the data was coded from themes emerging from the literature, documents and interviews and additionally, a constant comparison technique was used to draw conclusions and to develop the complete process model. Hence in this research study the author hopes to have adopted a rigorous methodological coherence strategy or triangulation (Denzin, (1994); Yin, (1994); Creswell, (1998))

In addition Savin-Baden & Major (2013) also holds that,

“In triangulation or cross-examination at multiple points, the idea is that the research is more credible. Triangulation may be of data (time, space and persons), investigators (multiple researchers), theory (more than one scheme applied), method (using more than one method) (Denzin, 1978) or analysis (Leech and Onwuegbuize, 2007)” (p. 477).

And so the writer also hoped that by employing these methodological and triangulation strategies the outcomes from this research study would be credible and valid.

6.9 Ethical considerations

Due to the highly sensitive nature of the data and information used in this research study, the author adhered to the British Educational Research Association (B.E.R.A) standard ethical practice for doctoral level research. In particular the researcher ensured that there was negotiated access, informed consent, right of the participants to view transcripts and to amend them (Miles and Huberman, 1994); right of the participants to read the text where data was used (Savin-Baden & Major, 2013); security of data; anonymity and moratoria as requested by the case organisations. Samples of consent forms and letters to interviewees are appended (see Appendices E and G). In addition a number of case organisations and interview participants requested that the author sign

confidentiality agreements. Similarly, those carrying out transcription services were required to sign confidentiality agreements.

Prior to commencing the pilot study, permission was sought by the author to tape record the sessions. Likewise it was also sought in the main case studies interviews. In addition where documentary evidence was provided and interviews carried out, organisations and individuals were assured of their confidentiality, as a confidentiality agreement was signed and the anonymity of interviews guaranteed. Participants were well informed prior to the process of the need for the research, their requirements, time commitments and that participation was on a voluntary basis. Each participant could withdraw at any time and they did not experience harm in any way during the course of the research. The author desired that the research would be of benefit to all of those who participated in it.

6.10 Expected contribution

Numerous authors (Shrallow, (1985); Jemison & Sitkin, (1986 a, b); Schweiger et al. (1993); Pablo, (1994); Birkinshaw, Bresman & Hakanson, (2000); Ellis, (2000); Cording, Christmann & King, (2008); Lemieux & Banks, (2007)) have made important contributions to the integration body of knowledge over the years. A number of these authors (Pablo, (1994); Birkinshaw, Bresman & Hakanson, (2000); Ellis, (2000); Cording, Christmann & King, (2008); Lemieux & Banks, (2007)) have developed rigorous empirically tested research which focuses on a certain aspect of the acquisition integration process. In addition various other authors (Howell, (1970); Schweiger et al., (1993); Askenas, DeMonaco & Francis (1998)) have developed practice informed integration process models which, although they may have weaker methodological approaches, they have been referred to in the literature because of their appropriateness to the integration process.

However despite the continued failure of acquisitions as documented in the professional and practitioner press (Homburgs & Bucerius, 2006), theory fails to provide guidance on how managers can integrate acquisitions on three critical areas - cultural, organisational and strategic fit and the author hopes that in this study he will fill this lacuna by providing - both a significant theoretical contribution and addressing a key management concern.

The author also has developed a complete acquisition integration process model deriving from the acquisition strategy through to a long-term acquisition integration approach and that the complete process model is built on and has integrated research carried out on isolated elements of the acquisition integration process.

The principal result of this research is the development of a process model showing how organisations integrate acquisitions and align the strategy, organisational context and culture of the newly acquired operation with the acquiring company. Departing from the fragmented approach of previous studies, this model provides a holistic perspective of the steps organisations can take to achieve a coherent organisation post- acquisition.

Author	Contribution to knowledge
Howell (1970)	A high-level model looking at the complete M&A process.
Jemison & Sitkin (1986 a,b)	Determined that the M&A process was critical to success in M&As. Found that the M&A strategy should drive the integration process. This was achieved via strategic and organisational fit factors
Schweiger et al., (1993)	A high-level model that showed alignment throughout the process.
Pablo (1991 & 1994)	Validated Jemison and Sitkin's research of 1986. Determined that not all elements of fit are weighted the same for integration.
Askenas, DeMonaco & Francis (1998)	Developed a practical high-level process model from the due diligence process to full integration. Not based on acquisition strategy.
Kim (1998)	Identified practical critical success factors that can be used in the pre-post and performance management elements of M&As. Concluded that a complete approach is the most appropriate way to go in M&A integration.
Ellis (2000)	Work supported Jemison & Sitkin and Pablo's findings. Established the importance of preliminary planning and that the pacing of changes are different.
Quah & Young (2005)	Developed a model for cross-border acquisitions. Highlighted that culture was key in all integrations and can take up to 7 years to achieve. Can't measure success after 2 years.
Handler (2006)	Developed a series of critical successful factors for the health care sector in the pre- post- and performance management elements of integrations. Concluded that a complete approach is the most appropriate way to go in M&A integration.

Table 6.2 Contribution to knowledge of key authors

The author believes that the results of his work may have significant implications for management as it provides detailed guidance as to how managers can improve acquisition success. To date, failure to integrate acquired organisations has been identified as a key contributor to acquisition failure. In this study detailed insights are provided for managers wishing to achieve cultural, organisational and strategic

alignment post-acquisition and frequent use of the process model may also provide valuable insights for managers at the pre-acquisition stage.

Chapter 7 Pilot study

In the previous chapter the author outlined the various methodologies for pragmatic qualitative case research adopting two methods in interviews and documents that will be used throughout in order to advance this study and achieve the stated aims and objectives. In this chapter the author tested those methodologies on three pilot participants to see if they would achieve the stated aims and objectives of this study and the results are presented here.

“Pragmatists emphasise the importance of trying different methods and then evaluating them based upon their effectiveness. Therefore good research is a trial-and-error process” (Savin-Baden & Major, 2013, pg. 60-61).

7.1 Pilot Interview process

Three semi-structured interviews in total were carried out during a phased pilot analysis. See Table 7.1 for pilot participants X, Y and Z organisation details. Convenience sampling was used to select the three organisations for the pilot interviews as it “allows for the selection of cases which are easily accessible and saves on resources” (Miles & Huberman (1994)). A set of semi-structured interview questions was developed from the initial complete conceptual acquisition integration process model, in conjunction with appropriate questions taken from previous research studies relevant to this research project. A pilot study summary of research purpose document was assembled and given to the first participant in advance of the interview (see Appendix A).

Demographic	Participant X	Participant Y	Participant Z
Sector	Service Sector	Service Sector	I.T. Sector
Job Title	C.F.O	Business Development Director	Managing Director
Year of acquisition	2008	2007	2006
Acquiring Organisation size	40	200	Acquisition size 1800
Location	Dublin	Dublin	Europe
Acquisition type	Horizontal acquisition	Horizontal acquisition	Horizontal acquisition
Conditions for sale	Retirement sale	Competitive sale	Competitive sale

Table 7.1 Pilot participant organisation characteristics

The first semi-structured interview was with pilot participant X (i.e. C.F.O.), who worked in a service sector organisation employing 40 staff was carried out to test the effectiveness of the questions for gathering rich and deep data. Permission was sought and granted to record the interview. The interview was subsequently transcribed, manually coded using themes emerging from the data and the literature and subsequently analysed. The interview research questions were subsequently modified based on the results from the analysis and the second pilot participant was given the revised pilot study summary of research purpose document in advance of the interview. See Appendix B, note: modified questions state rev.1 clearly. A second interview was then undertaken. This involved pilot participant Y (i.e. Business Development Director), who worked in a service sector organisation employing roughly 200 staff. Permission was sought and granted to record the interview. Data was collected, transcribed and analysed as above.

Upon reviewing the overall results of the first two pilot interviews, the interview questions were found to be too specific, leading or ambiguous. The complete conceptual acquisition integration process model and interview questions were modified so as not to be leading in order to gain a better insight into the complete acquisition integration process from the participant's perspective, where the unit of analysis was the acquisition and the acquiring company. Additionally it was decided not to give the pilot study "summary of research purpose" document out to the third and subsequent pilot interviewee as it may use terminology and definitions that participants may not use in practice. This was also discovered to be a finding of the pilot studies. In addition it may aid bias, as participants may provide the author with information they think he wants to hear instead of what actually happened i.e. social desirability bias.

A third and subsequent pilot interview with participant Z was undertaken. Pilot participant Z (i.e. Managing Director) worked in the I.T. sector and the acquisition was valued at over a billion euro and involved the acquisition of 1800 staff. No interview questions or documentation were provided in advance. The participant was provided with a research abstract and the research questions at the start of the interview. Permission was sought and granted to record the interview and the interview data was collected and analysed as above. Upon completion of this third interview, it was decided to fine tune the research questions by including some more prompts and questions from the first two interviews and the literature. See Appendix C for the interview questions to

be used in the main field study. The outcomes from these pilot interviews are discussed below.

Following the interviews, a post-pilot analysis review was undertaken by the author who then decided that in order to overcome any potential bias, where a participant might try to tell the interviewer what he felt the interviewer wanted to hear i.e. social desirability bias, instead of what happened in reality, then, an additional number of interviews in each organisation would be required to be undertaken in the main study. Hence three to four interviews will be carried out on each case organisation. This will facilitate the gathering of rich and deep data from a number of participants on one acquisition and hence a detailed insight into the integration process will be achieved. Additionally in order to overcome the problems encountered above plus assist in overcoming elite bias, it was decided that supplementary support data was required to ensure that what each participant was saying in the interview process, is what actually happened in reality i.e. that it could be verified. Hence data triangulation could be achieved.

After discussions with the third pilot study participant on the most appropriate additional data collection method for acquisition integrations, it was decided that documentary evidence was appropriate as the author believed that case organisations would be more amenable to a review of the integration documents than either observation or focus groups. But, as the third pilot study participant observed “these documents would have to remain confidential and that a confidentiality agreement would possibly have to be signed”. In addition it was decided to look at and analyse the documentary data first as this would aid a more productive interview process and facilitate the gathering of rich deep data.

7.2 Pilot study interview objectives:

There are a number of reasons for carrying out pilot studies. Firstly to ensure that the research methods used in the pilot study are appropriate for gathering the correct data to answer the research question in the main study. As can be seen from the above “trial and error process” (Savin-Baden & Major, 2013, pg. 60-61) the use of qualitative case study research, incorporating documents and semi-structured interviews for data collection and the use of coding and data analysis techniques, are most appropriate for

gathering rich deep data in real world situations (Yin, 2009). In addition a pragmatic methodology allows the researcher flexibility so that he can take advantage of any opportunities that may arise to gain deeper insights while carrying out his investigation.

The second reason for the pilot interviews was to ensure that the questions asked were correctly tailored to gathering appropriate data in order to achieve the research aim.

Therefore the reasons for undertaking the pilot interviews were as follows:

- to analyse the acquisition strategies behind acquisitions and to establish the extent of the emphasis placed on strategic, organisational or cultural issues.
- to determine what criteria are used to measure success.
- to establish if strategic, organisational and cultural fit factors are developed, examined and monitored in the pre-acquisition stage and ascertain if they are used to develop a pre-acquisition integration strategy.
- to examine if strategic, organisational and cultural fit factors are developed, examined and monitored in the post-acquisition stage and ascertain if they are used to develop a post-acquisition integration strategies.
- to determine the extent of importance to organisations of strategic, organisational and cultural fit criteria to a successful integration process.
- to establish the extent of alignment of fit elements throughout the M&A process.

Some additional reasons were as follows:

- is it possible to obtain the data required from the interviews?
- are they flexible enough to allow the participants to expand their answers?

Finally each interviewee was asked whether the conceptual process model developed from the literature was deficient in any way and could he or she make any suggestions as to its improvement. This was carried out at the end of the interview process.

7.3 Pilot study findings

An overview of the pilot study results are as follows.

7.3.1 Acquisition strategy / criteria / candidate selection

- Participants X and Y did not develop a formal acquisition strategy but carried out acquisitions on a “geographical expansion” basis (national expansion) and to take advantage of synergies. Whereas participant Z developed a formal strategy to obtain a competitive advantage (Lynch & Lind, 2002) and expansion was on an international basis to take advantage of synergies.
- Participants X and Y didn’t develop any formal criteria, but decisions were based on financial and strategic fit and this is also how they selected their candidates. Whereas participant Z did develop formal criteria consisting of strategic, organisational and cultural elements, but predominantly selected the candidate on the basis of strategic fit.

7.3.2 Due diligence and pre-acquisition integration strategy

- For participant Z the due diligence stage was where integration properly started (Shrallow, (1986); Askenas, DeMonaco & Francis, (1998)). This is where the consultant teams came on board and investigations were thorough. Strategic, organisational and cultural issues were explored and used to develop the pre-acquisition integration strategy (Askenas, DeMonaco & Francis, (1998); Ellis, (2000)). This consisted of a 90 to 180 days strategy. In addition the plan helped in the negotiation process (Gates & Very, 2003)
- Participants X and Y, however, didn’t develop any plan pre-acquisition plan (Gates & Very, 2003) from their due diligence investigation, although they did analyse strategic, organisational and cultural fit issues informally. Although they knew what needed to be carried out post-acquisition. This involved organisational and cultural tasks, but mainly involved financial elements.

7.3.3 Post-acquisition strategy and approach

- Participant Z had a clear plan with milestones to tackle post-acquisition integration (Gates & Very, 2003) that included organisational and cultural tasks along with financial elements. Nevertheless, participant Z admitted that financial elements were not converted into post-acquisition tasks like they should have been (Hubbard, 1997). Participants X and Y did not develop a formal plan (Gates & Very, 2003), but they were aware of the integration tasks that needed to be performed.

- Participant X commented that if a thorough investigation into the organisational and cultural elements in the due diligence process had been carried out and a formal pre-acquisition integration plan developed from this then they would not have spent the first six months post-acquisition working out what had to be done (Schweiger, et al., 1993). Whereas participant Z post-acquisition just modified their 90-to180-day plan for long-term integration (Askenas, DeMonaco & Francis, (1998), Pablo, (1991); McDonald, Coultard & de Lange, (2005)).

7.3.4 *Additional insights gained*

M&A failure

Between participants X and Y they had completed nine acquisitions, three of which had been subsequently divested. Both participants suggested this was due to cultural incompatibilities (Ellis, 2000). However the focus of their pre-acquisition investigation and post-acquisition integration was on strategic and financial fit elements. This supports the literature findings that 33% to 45% of acquisition will be divested (Shrivastava, (1986); Kaplan & Weisbach, (1992)). Can anything be done to improve this success rate?

M&A Process

In the desire to complete the deal at all costs, participant X and Y's organisations lost sight of the acquisition strategy. Simply put, they got carried away in the M&A process (Jemison & Sitkin, 1986 a, b) and participant Z concurs with this conclusion, as he believes that one gets carried away in the M&A process and the rush to close (Jemison & Sitkin, 1986 a, b).

Would a process model improve the chances of integration success and reduce the impact of the M&A process?

Process Model

Participants X and Y advised that they had no formal plans or process model to keep them on track, which is in line with Howell's findings in 1970, underlying its on-going relevance in this day and age. Participant Z, on the other hand developed an integration plan but not a process model from the due diligence process on-words and adhered to that.

However, participant Z, having carried out numerous acquisitions, advised that it was only on the fourth acquisition that his organisation developed a formal

process model. On the other hand, both participants X and Y's organisations have carried out at least 4 acquisitions each and still do not have a formal process model (Howell, (1970); Shrallow, (1985)) to provide structure to the integration approach, even though each participant is aware that they have made mistakes and even divestments.

It may be that only large acquiring organisations develop plans, but research shows that it is just as hard to integrate a small acquisition as it is a large one (Nolop, 2007). However participants X and Y, both said they would have benefitted from a process model (Howell, (1970) and McDonald, Coultard & de Lange, (2005)) along the lines of strategic, organisational and cultural fit.

Alignment

In addition it would appear that most of the processes and issues, i.e. strategic, organisational and cultural are carried out informally by the majority of the pilot organisations and that no formal integration plans are developed, as various fit factors were included at different stages throughout the process. Hence each organisation is unsure if they aligned their acquisition strategy through strategic, organisational and cultural factors throughout the integration process. Therefore a complete, formal process model is required to ensure alignment of fit factors throughout the integration process.

Weighting of fit factors

It would appear that financial fit and strategic fit are critical and are the main focus of pre-and post-acquisition analysis of the pilot organisations, to the detriment of cultural fit and, to a lesser extent, of organisational fit. However, it was the pilot participants' experience that post-acquisition they cause a large number of integration problems (participant X), which could have been identified in the pre-acquisition stage and may have led to a change in the acquisition decision.

All three pilot participants acknowledged that cultural fit/integration (Ellis, 2000) in hindsight should be paramount, as both pilot participants X and Y's organisations have made divestments on cultural fit grounds at a later date.

Hence, in hindsight they believe the weighting of the fit factors should be altered to reflect their experience. Participants X and Y would now assign a weighting

of 40% to cultural fit, whereas, participant Z weighted strategic issues at 35%, cultural issues 40% and organisational issues at 25%. This would concur with Pablo (1994) and Ellis (2000) who found that each fit factor isn't of equal weighting.

Additionally it was observed that performance measures are mainly financial, which participant Z found should always be converted into integration tasks post-acquisition.

Earnout strategy

Another interesting observation from the pilot interviews that hasn't been mentioned to date is the development of an earn-out strategy (participant Z), to ensure that enough data was gathered from the previous owners before they left. This strategy has to be front-loaded as even though most parent organisations sign up the previous owners to a two-year contract, one may want to pay them off earlier.

The main strategic fit (themes) elements were economies of scale, scope, complementary resource, sharing of resources, similar products, core competencies, cross selling potential, procurement potential, markets served, consolidation, R&D pipeline and bigger scale, hence obtain greater discounts achieved from suppliers.

The main organisational fit (themes) elements are quality assurance standards, regulatory compliance, administration processes, I.T. architecture and infrastructure, computer software systems, front / back office support, integrated accounting system.

The main cultural fit (themes) elements are risk propensity, similar styles of management, layers of management, cultural compatibility, matching customer relationship management interface practices, management philosophy, diversity policies, basic pay and bonus system, promotion policies, redundancies policies.

7.3.5 Conclusion

As can be seen from the results of the pilot investigations, there is a need for this research. The findings are interesting and should shed light on the subject. The development of such a complete process model would be advantageous to industry

practitioners and would add to the knowledge base in the area of acquisition integration process modelling. Deeper analysis using case studies will only improve the model.

Hence a qualitative case study methodology is appropriate in the main study, in conjunction with the collection of data from documents and interviews. Data will be coded and subsequently analysed. The questions to be used in the main study are as per Appendix C and the documents will be analysed using the information sheet in Appendix D.

Chapter 8 Data collection and analysis

In the previous chapters the author highlighted the need for deeper analysis and research in the area of acquisition integration process modelling. In addition he advocated the use of a qualitative case study methodology being adopted in this research study in order to find out ‘how’ (Yin, 1994) M&A organisations go about their integration processes and he ascertained that a combined approach of documents and semi-structured interviews (Bonoma, 1985) was the most appropriate way to reflect real world acquisition integration circumstances in the development of this acquisition integration process model study.

In this chapter the researcher will describe how data was collected and analysed in the development of the final complete acquisition integration process model. See Figure 8.1 for the data collection and analysis roadmap and Table 8.1 for the stages and processes involved in qualitative data analysis. The author will then outline the first field work approach used to collect data. Subsequent to this the author will highlight how data was analysed from the 1st through to 6th phase, before outlining the second period of data collection. Following on from this the researcher will outline how the next phases of data analysis were carried out, in order to arrive at the final complete acquisition integration process model. Succeeding this, an examination of the actual implementation of the author’s ethical stance in the data collection and analysis stages will be outlined and, finally, a summary of this chapter.

8.1 Alterations made to the planned research design approach

It was also proposed in the Research Design and Methodology chapter (Chapter 6 page 66), that a review of each organisation’s internally generated integration documents be carried out in order to avoid using “extraneous information” which could be distracting and misleading (Savin-Baden & Major, 2013), prior to conducting the semi-structured interviews, to best inform the interview process and make it a more fruitful engagement. This procedure was agreed with the In-case organisations when seeking permission to carry out research on their acquisitions. However when it came to viewing this documentation, organisations A, B and C asked that the interviews be conducted first, so that they could get a better sense of the study. Upon completion of the interviews the author carried out a review of the confidential documentation.

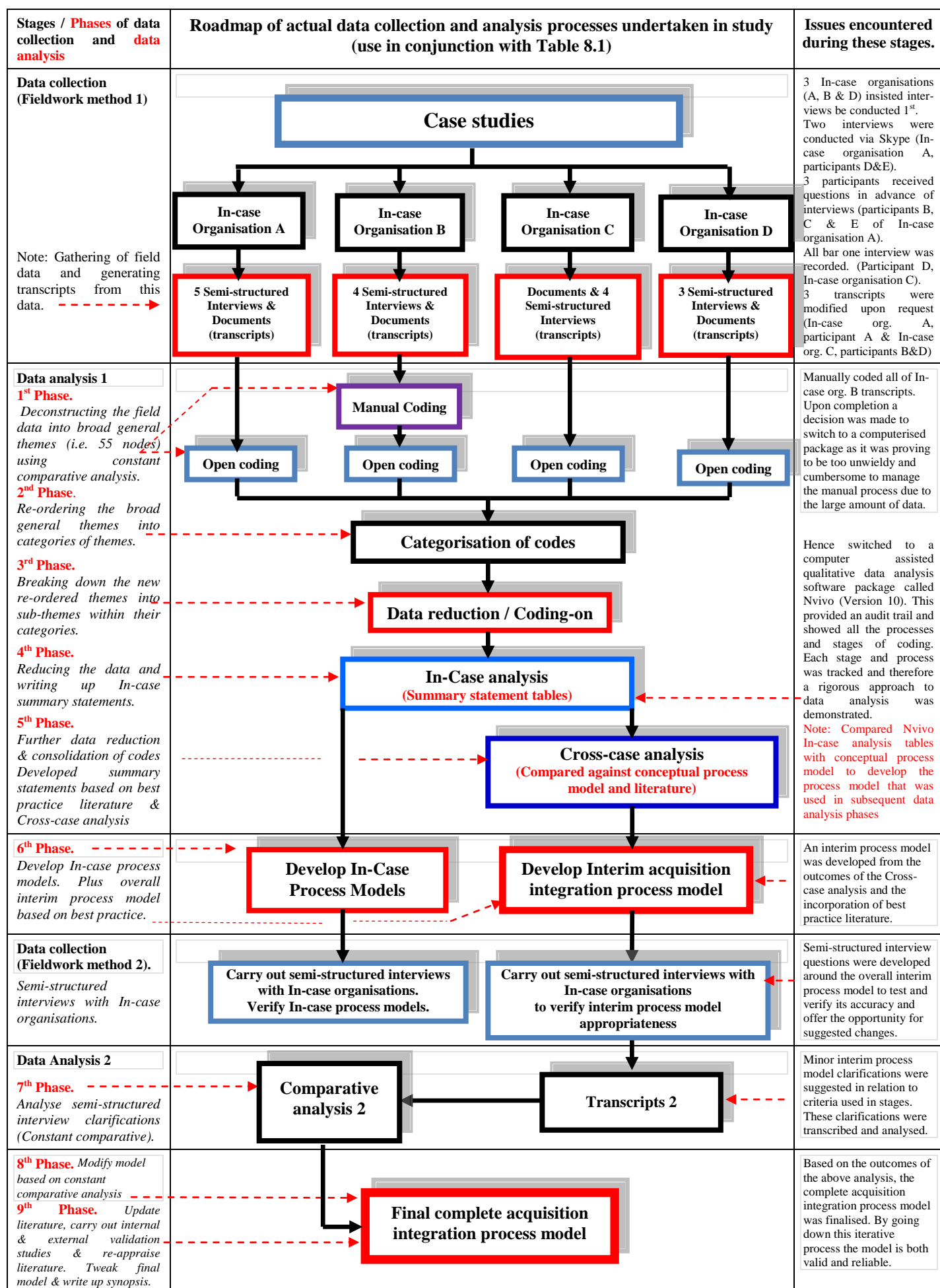


Figure 8.1 Roadmap of actual data collection and analysis process undertaken in study

8.2 Data collection 1

8.2.1 Fieldwork method 1: Semi-structured interviews

Data was collected for this stage of the research by four In-case organisations (Yin, 2009) and from sixteen semi-structured interviews which were conducted by the author using comprehensively tested questions that were prepared in advance of the interviews, via a pilot study that provided a ‘strong handle on what *real life* is like’ (Miles & Huberman, 1994, p.10) in M&As (see Appendix C).

This data collection phase commenced with the author contacting the senior executive responsible for the acquisition in each case organisation. Each contact then sent out a general email to the participants. Two interviews were conducted via Skype. These were both in organisation A and involved participants D and E. In the case of participant D, half of the interview was conducted at head office and the other half through Skype due to the busy nature of the participant’s job. All of the above is understandable due to the positions of authority that the participants held within their organisations and the busy nature of their jobs as typical participants included Chief Executive Officers, Chief Financial Officers, Chief Operations Officer and Chief Technology Officer, etc. Thus, a flexible approach was adopted in collecting the data (Savin-Baden & Major, 2013). Hence it took a number of months to conduct all 16 interviews. Five interviews were conducted with In-case organisation A, four with In-case organisation B, four with In-case organisation C and three with In-case organisation D. All interviews took place in the interviewees’ offices bar the Skype interviews.

Each interview lasted on average one to one and a half hours. Interview questions were not forwarded to the participants in advance of the interview so that they could not prepare their answers and the questions were only given to them at the commencement of the interview. However three participants B, C and E from organisation B requested and received the questions in advance of the interviews. In the case of participants B and C, this was only to ensure that they could get the relevant documents ready in advance of the interview, as some of the material was in storage and other elements were encrypted and password protected. In the case of participant E his interview was being conducted via Skype and he requested that he have the questions in front of him for the interview. Every attempt was made to follow ethical considerations discussed in

the Research Design and Methodology in Chapter 6 (page 74) and it is believed that these requests were genuine and that these participants were not any more prepared for the interview process than those who did not receive the questions in advance.

Each participant was presented with a letter at the start of the interview process to advise him or her of the ethical protocols (Rapley, 2009) to be applied in this study. This letter related to how issues of confidentiality and anonymity would be dealt with throughout (see Appendix E). In addition participants were advised that they could withdraw from the study at any time (Miles & Huberman, 1998). Participants were informed at the commencement of the interviews that they would be referred to as say, participant X in organisation Y, in all future correspondence. Permission was sought prior to commencement of each interview to record the interview (Rapley, 2009) and in all bar one instance permission was granted. Participant D in organisation C requested that the interview not be recorded. This request was honoured as per the participant's right in the ethical approach adopted in this study (see page 74). However it is noted as a limitation and will be discussed in detail in Chapter 11, section 11.1.

At the end of each interview, the author asked if the participants would consider the conceptual process model and pass comment on its applicability to the pressurised integration process and advice of any elements that they felt could be improved upon. All participants willingly did so and more than half of the participants requested a detailed explanation of the process model. Six participants spread out over organisations A, B and D asked for a copy of the model and requested that a presentation be made to them on the completion of these studies. In three instances those charged with looking after the integration process requested a copy of the completed thesis i.e. two Chief Operations Officers and one Chief Financial Officer. None of these organisations had developed a process model of its own and recognised the value of the process model advocated here. Each organisation is currently contemplating carrying out or is in the process of carrying out another acquisition.

Upon completion of the first two interviews the author transcribed these interviews, in order to get a better sense of the results (Savin-Baden & Major, 2013). All other interviews were transcribed by a professional transcription organisation and a confidentiality agreement was signed prior to commencement of this process. Each transcript was edited by the researcher for confidentiality / anonymity and then

forwarded to participants for checking and verification. Three participants responded by requesting that their interview transcripts be modified. Participant A in organisation A, amended his transcript three times but these amendments were to simply clarify some elements.

Two participants from organisation C requested modifications i.e. participants B & D. Participant D's modifications were requested in order to provide clarity on the integration process as this was the interview that wasn't recorded. Participant B requested that significant elements of the interview be deleted as upon reflection he was uncomfortable due to the highly sensitive nature of the comments and his responses to the interview questions. Revision 3 once again was the version used in the data analysis. This is a limitation of the research and the findings in relation to organisation C and will be discussed in detail in Chapter 11 section 11.1.

8.2.2 Fieldwork method 1: Documentary evidence

The second data collection method used in this study was the collection of integration only documentation as “extraneous documents can cause confusion” (Savin-Baden & Howell, 2013). The documents examined provided a ‘rich’ source of data (ibid) and ranged from corporate vision statements, financial plans, strategy plans, high-level pre-acquisition integration plans, detailed post-acquisition work stream plans i.e. low-level plans, Gantt charts, risks charts, request for consultancy services documents (e.g. project charter), pre-acquisition planning meeting minutes, post-acquisition integration meeting minutes, steering committee meeting minutes, post-implementation review documents, HR communications plans and Powerpoint presentations, analysts’ and investor updates on integration progress and legal documents.

The purpose of using a second data collection method was to support and verify results obtained in the semi-structured interview process. Also, they provide a particularly useful “historical context and background information of a research environment” (Savin-Baden & Major, 2013, p. 404). In addition documents were used to highlight any potential areas not mentioned in the interview process. Furthermore, the use of these documents has enriched the information data obtained from the interviewees as they provided actual proof of decisions made or not made and whether these actions were followed through or not. The integration documents also provided a vital insight into the

level of detail that organisations go to when they plan their integration process. However a number of limitations were experienced in this aspect of the study and these will be discussed in Chapter 11 section 11.1.

All integration documentation had to be viewed in the organisations' offices bar organisation B. The author was not allowed to remove any documentation off-site or to photocopy it due to confidentiality and most organisations provided an office in which to view documents. Access was granted for a number of hours by In-case organisations A and C in which to view the material and In-case organisation D allowed integration documents to be viewed after interview commencement. Phones were not allowed in this office. This somewhat simulates the data room set up in which organisations have to view due diligence information. A notepad and pen were all that was allowed in order to make notes concerning the integration actions and decisions. In-case organisation B documents had to be viewed in the organisation's legal team's office and in the main this was legal documentation. These were the conditions set down for viewing the documents. This may not have been ideal but the author agreed to accept them for without such agreement the viewing of documentation in question would have been refused.

8.3 Data analysis 1

Following on from the data collection methods described above i.e. 8.2.1 and 8.2.2, participants were notified when transcripts were sent back that they had 7 working days to check and verify their accuracy, as after this date, data analysis would commence. In reality, a minimum of two weeks was given to receive feedback. As highlighted above, only three participants sought to modify their transcripts. One other participant notified the author by email that he was happy for data analysis to progress, as he was happy with the confidentiality protocols adopted in editing the transcript.

Field notes were taken during, and at the end of each interview (Miles & Huberman, 1994) and used to support subsequent data probing and analysis (Savin-Baden & Major, 2013). In addition they were also used to highlight any contentious issues that could be probed in the remaining interviews (Miles & Huberman, 1994) with fellow organisational participants as on average there were four interviews in each

organisation. This relevant information was noted for subsequent data analysis phases, which will now be discussed.

Data analysis typically comprises of three key elements and the constant comparative method is no different to other methodologies when it comes to data analysis. See Table 8.1 for phases and processes involved in qualitative data analysis, adapted from Maykut and Morehouse (1994) and Figure 8.1 for a roadmap of the actual data collection and analysis process undertaken in study. The essential elements of data analysis are:

1. Coding
2. Managing codes
3. Documenting codes

Coding is the first step in organising the data in order to facilitate interpretation of that data. The second phase involves managing the codes and this is where codes are reviewed, merged, renamed and clustered. The final and critical phase involves documenting the codes. This is where the process model was developed from the coding scheme based on real words from real organisations engaging in real practices as a key part of the data analysis. This approach is entirely consistent with the author's aim of researching what real organisations do during mergers and acquisitions. The actual phases undertaken in this study will now be discussed in detail, starting with the 1st phase.

8.3.1 1st phase of data analysis

The first phase of the data analysis process involved manually coding the data using the constant comparative method into broad general themes (Savin-Baden & Major, 2013) of all the transcripts from In-case organisation B i.e. four. Upon completion of the first round of manual coding of organisation B's transcripts a decision was taken to adopt a computerised package as a sizeable amount of data had been generated, which was proving to be unwieldy and cumbersome in its management (Savin-Baden & Major, 2013). Hence this warranted the switch to a computerised package that would facilitate efficiency and transparency in the data analysis phase of the research. This switch was carried out in accordance with the Research Design and Methodology chapter (Chapter 6).







Analytical Process (Maykut & Morehouse, 1994).	Maykut & Morehouse Practical Application in NVivo	Strategic Objective	Iterative process throughout analysis
1. Comparing units of meaning across categories for inductive category coding	<u>Phase 1</u> Open Coding	Data Management <i>(Open and hierarchal coding through NINVO)</i>  Descriptive Accounts <i>(Reordering, 'coding on' and annotating through NVIVO)</i>  Explanatory Accounts <i>(Extrapolating deeper meaning, drafting summary statements and analytical memos through NVIVO)</i>	Assigning data to refined concepts to portray meaning  Refining and distilling more abstract concepts  Assigning data to themes/concepts to portray meaning  Assigning meaning  Generating themes and concepts
2. Refining categories	<u>Phase 2</u> Categorisation of Codes		
3. Exploring relationships and patterns across categories	<u>Phase 3</u> Coding-on <u>Phase 4</u> In-case analysis <u>Phase 5</u> Cross-case analysis		
4. Integrating data to write findings	<u>Phase 6</u> Data Reduction <u>Phase 7</u> Writing analytical memos <u>Phase 8</u> Validating analytical memos <u>Phase 9</u> synthesising analytical memos into a conclusions chapter		

Table 8.1: Stages and Process involved in Qualitative data analysis
(Adapted from Maykut & Morehouse, 1994).

Hence the complete adoption of a computer assisted qualitative data analysis software (CAQDAS) package called Nvivo (Nvivo version 10), which is a software package developed as a CAQDAS in 1981 by Australian academics Lyn and Richards (Richards, 2000; 2002; 2005) to support Lyn's work as a family sociologist. Nvivo is recognised globally as a reputable tool for managing and supporting analytical research. NVivo is now standard software in most universities in Ireland.

By using NVivo qualitative data analysis software in this study, two principal benefits were derived - efficiency and transparency. In using this software, the researcher did not surrender the interpretation task to the logic of the computer. Rather the computer was used as a tool for efficiency as it is not a tool, which in and of itself conducts analysis and draws conclusions. Its use allowed the researcher to explore avenues of enquiry which may not have been possible to conduct using a manual system given time constraints. Such efficiency allowed the researcher to rule out, as well as rule in, propositions or emerging hypotheses throughout the analytical process (Richards, 2005). Furthermore, Nvivo allowed for the automation of many administrative tasks associated with qualitative data analysis and hence freed up the researcher's time to reflect on the interpretive elements of the data. As Fielding and Lee (1998) explain so

succinctly, qualitative researchers “want tools which support analysis, but leave the analyst firmly in charge” (p167).

In relation to transparency, qualitative researchers in the past have been accused of being ad-hoc, subjective and undisciplined in their approach to analysing data, as the following example from Barker (2003) highlights;

“But more problematic is her tendency to produce what look like ad hoc explanations, as in the following:

J. B. Barclay’s (1961) survey of viewing tastes indicated that more than half of all girls around the age of fifteen named horror as one of their most liked film genres, almost as many as boys of the same age. Girls, however, professed an increasing dislike for the genre as they matured. This may be explained by patterns of socialisation: girls are dissuaded from liking horror because it is seen as unfeminine, whereas boys are encouraged to display their fearlessness and outgrow it more gradually (Cherry, 1999: 192).

There are a number of problems with this ‘instant explanation’. Firstly it forecloses other, perhaps more historically resonant explanations – for example, that the films available in the early 1960s were markedly different (as indeed were women’s opportunities to see them). It also carries within it some strange assumptions, which are at odds with some of Cherry’s own evidence. Cherry quotes women from whom it is evident that part of the attraction of watching vampire films is that they afford imaginative resources for resisting what is perceived to be ‘socialized femininity’. The films are dangerous and that is part of their appeal. And in these quotes are signs of an interest in horror films which is not to be ‘outgrown’, as her earlier comment seems to presume”.

Hence the production of an audit trail is of paramount importance in developing the trustworthiness and plausibility of this study. Qualitative analysis software’s logging of data movements and coding patterns, and mapping of conceptual categories and thought progression, render all stages of the analytical process traceable and transparent (see Figure 8.1. and Table 8.1) and thus, facilitates the researcher in producing a more detailed and comprehensive audit trail than manual mapping of this complicated process would have allowed, and consequently it demonstrates a rigorous approach to data analysis (Richards, 2005).

Nvivo was chosen by the author for its suitability and its availability through a licensing agreement with the author’s employers. A three-day training workshop was attended by the writer and a decision was made that the package was suitable for use in the data management of this research. A confidentiality agreement was signed with QDA training support, which licenses the software. The latest version of Nvivo i.e. Nvivo 10 was loaded onto the author’s computer by the author and the data once collected and transcribed was imported into Nvivo by the author.

External data documents such as interview transcripts, notes from interviews and notes on company documents were uploaded to the project file. Four case files were set up, one for each In-case organisation and each transcript was assigned to its pertinent case file. The author assigned attributes to each case file and participant transcripts. In assigning attributes to the case file, this allowed the author to run queries on the In-case organisations in those designated areas. Examples of the attributes used in this study are; the size of acquisition i.e. small, medium, and large, the role of participant i.e. C.E.O., C.F.O., C.O.O., etc., the market sector i.e. pharma, finance, media and I.T., the acquisition status i.e. acquiring organisation or acquired organisation, the economic cycle i.e. booming or recession, the type of sale i.e. fire sale or competitive sale and the research site organisation A, B, C and D. Upon completion of the project file set up by the author, he commenced data analysis and Figure 8.1 above highlights the road-map of actual data collection and analysis process undertaken in the study.

Open-coding (Gibbs, 2007) is the first phase of data analysis using the Nvivo software. In carrying out coding it made “it easier to search data, make comparisons and identify patterns worthy of further investigation” (Savin-Baden & Major, 2013, p. 422) as it “generates the bones of analysis” (Saldana, 2012, p.45). Open coding involved broad participant driven open coding of the transcripts supported by descriptions of the codes, to deconstruct the data into general themes. These themes have clear labels and descriptions i.e. a descriptive label that captured the meaning of each data segment (Savin-Baden & Major, 2013, p. 421) to serve as rules for inclusion (Maykut & Morehouse, 1994) of units of meaning i.e. text segments which will be coded from the transcripts (Maykut & Morehouse, 1994, p. 126 - 149) line by line (Charmaz, 2006).

Open Codes (55 Initial Codes)	Code Definition (Rule for Inclusion)	Interviews Coded	Units of Meaning Coded
Acquisition - Purchasing motive	The reason why organisations acquire the acquisition	15	140
Acquisition assessment criteria	Criteria in which to assess the acquisition selection and performance against	14	94
Acquisition benefit	Benefits of carrying out the acquisition	13	82
Acquisition integration	How was the integration carried out	15	522
Acquisition risk mitigation	Acquiring to minimise the risk of competitors getting their hand on the acquisition	16	895
Acquisition strategy - Vision	A high level look at where the organisation plans to go with the acquisition	12	141
Apportionment of 100%	With respect to the importance/emphasis placed on strategic, organisational and cultural elements in pre-acquisition decision making.	11	51
Business Case	The justification of the acquisition on the grounds that it makes business (and financial) sense to go ahead with it.	4	32
Business plan	The plan to grow the organisation. This is not about integration	3	98
Candidate selection	How the candidate was selected or identified as an acquisition target	11	36
Corporate strategy	The parent organisations strategy.	1	6
Cultural alignment	The alignment of both organisations culture	10	31
Cultural fit	All things to do with human resource management	14	130
Cultural integration	Elements of culture that were identified as being important to the integration process	16	701
Due diligence tasks	Tasks carried out in the due diligence process	15	256
Earn-out strategy	A strategy put in place to gather as much information post-acquisition in a defined period of time from the acquired organisation seller or senior management team before they exit the organisation.	3	7
External market and competitor analysis	It is imperative to keep an eye on what is happening in the external marketplace and what your competitors are doing. Especially in the fast moving information technology sector.	4	43
Financial fit	Is there financial benefits to carrying out the acquisition	10	26
Financial integration	Implementing the financial plans	2	12
Fit	How the acquisition matches the acquiring organisation	12	39
Integration approach	The depth of integration carried out	10	103

Table 8.2: A sample of the 1st Phase of coding (open coding) (Note: For the complete set of open codes see Appendix H)

Fifty-five open coding nodes complete with supporting descriptions were developed from this data. See Table 8.2 for a sample of these nodes and Appendix H for the complete set of open coding nodes.

8.3.2 2nd phase of data analysis

A second round of data analysis was then conducted. This entailed re-ordering the broad general themes identified and open-coded in phase 1 **into categories of themes** i.e. categorisation of codes by grouping related themes under these categories and then organising them into a framework “**that structures generic relationships**” (Savin-Baden & Major, 2013, p. 424) that makes sense to further analysis of the data in the development of the M&A integration process model.

Categories of Codes or themes. (55 codes reduced to 19 categories)	Category Definitions (Rules for Inclusion)	Interviews Coded	Units of Meaning Coded
Acquisition - Purchasing motive	The reason why organisations acquire the acquisition (Merged with acquisition risk mitigation, targeted acquisitions and past relationships - collaborations)	16	966
Acquisition benefit	Benefits of carrying out the acquisit.	16	652
Acquisition integration performance management criteria	What criteria where used in the performance management of the acquisition.	13	98
Due diligence process	The process of analysing the target to assess suitability.	15	296
Earn-out strategy	Did the organisation develop an earnout strategy to ensure the knowledge management of the target organisation would be retained?	3	7
External market forces - competition	It is imperative to keep an eye on what is happening in the external marketplace and what your competitors are doing. Especially in the fast moving information technology sector.	4	43
Integration implementation	Implementation of the integration plans	15	254
Integration project management (IPM)	The management of the integration process.	10	67

Table 8.3: 2nd Phase of data analysis - Categorisation of Codes (see Appendix I for complete set)

This phase also included distilling, re-labelling and merging categories to ensure that labels and rules for inclusion accurately reflected coded content. In this instance the categories were non-hierarchical (Savin-Baden & Major, 2013) and the data was organised into 19 categories. See Table 8.3 for a sample of same and Appendix I for the complete set of categories.

8.3.3 3rd phase of data analysis

A third phase of data analysis was then conducted i.e. ‘coding-on’ which consisted of **breaking down the newly restructured themes further into sub-themes** within their various categories, to offer a more in-depth understanding of the specific elements i.e. the make-up of each sub-theme of the actual M&A integration process carried out by each In-case organisation and to offer clearer insights into the meanings embedded therein. This phase of data analysis led to the development of 5 major themes and 267 codes which formed the heart of the data analysis aspect of the study (Savin-Baden & Major, 2013). See Table 8.4, part 1 for the 5 major themes and Table 8.5 for a sample of the 267 codes part 2 and Appendices J for the complete set of codes.

Name: 5 Main Themes emanating from 3rd Phase data analysis: Part 1	Sources	References
1.0 OVERALL INTEGRATION PROJECT MANAGEMENT (IPM)	13	71
2.0 EXTRANEIOUS STRATEGIC RISKS	16	288
3.0 PRE-ACQUISITION PHASES	16	758
4.0 POST-ACQUISITION INTEGRATION PHASES	16	570
5.0 INTEGRATION REVIEW & FEEDBACK	15	587

Table 8.4: 3rd Phase of Data Analysis: Data Reduction Part 1 (5 Main Themes)

8.3.4 4th phase of the data analysis process /development of process model

The 4th phase of the data analysis process involved **In-case analysis** of organisations A, B, C and D. In-case analysis matrices were developed from the qualitative data analysis software Nvivo. See Table 8.6 for a sample of the matrices and Appendix K for the complete set; vertical columns for In-case analysis.

The integration process structures emanating from these tables were compared with the conceptual process model and its stages and criteria to identify different sequences i.e. what might be included in different elements and any additional stages and criteria that may be used in the development of a process model. See Chapter 5 for conceptual process model (pp. 54 – 59), Chapter 9, Table 9.3, for stages and criteria of conceptual

process model and see Table 9.4 in Chapter 9 for any additional stages and criteria that may be used in the development of a process model.

Phase 3 - Data Reduction (Part 2) (19 Categories reduced to 5 themes and 267 codes)	Sources	References
1.1 Integration Project Management	10	29
1.1.1 Pre-acquisition management only	2	2
1.1.2 Post-acquisition integration management only	4	5
1.1.3 Complete integration project management (pre & post) (CIPM)	9	22
1.1.3.1 CIPM and reasons for success	10	50
1.1.3.1.1 One person managing the complete integration process	8	18
1.1.3.1.2 Same team throughout integration project management process	5	11
1.1.3.1.3 Size of the team increased post-acquisition for the integration management process	3	3
1.1.3.1.4 Lose their job if integration not successful	2	4
1.1.3.1.5 No disconnect in the integration process	2	2
1.1.3.1.6 Size of the acquisition	2	3
1.1.3.1.7 Using external integration consultants in the process	1	8
1.1.3.1.8 Experienced acquirer	1	1
1.2 M&A Integration process model	11	42
1.2.1 Was a process model developed to guide the integration process	10	12
1.2.1.1 Yes	0	0
1.2.1.2 No	10	12
1.2.2 What was developed	6	8
1.2.3 Reasons for not developing a process model	3	3
1.2.4 Would a process model be beneficial	4	6
1.2.5 What would be included in the process model	3	13
2.0 EXTRANEIOUS STRATEGIC RISKS	16	288

Table 8.5: 3rd Phase of Data Analysis: Sample of data reduction Part 2 (267 codes) (See Appendix J for the full set of codes).

From these comparisons, a table was developed containing the process model. This table contained stages and criteria within those stages recommended for inclusion in a final complete acquisition integration process model (see Chapter 9, Table 9.5). Subsequent data analysis was based on this model.

Further data reduction was then carried out on the In-case organisations and In-case analysis summary tables were developed against lower order codes appropriate to the final complete acquisition integration process model. See the results and discussion Chapter 9 to follow for detailed data analysis of this and the remaining data analysis phases and Table 9.5 for lower order codes appropriate to the final complete acquisition integration process model.

Phase 4 - In Case & Cross Case Analysis (Nvivo Matrix)	In-Case: Organisation A	In-case: Organisation B	In-case: Organisation C	In-case: Organisation D
1 : 3.0 PRE-ACQUISITION PHASES	119	78	101	70
2 : 3.1 Acquisition context	16	9	8	3
3 : 3.1.1 Analysis of acquisition context	12	9	6	0
4 : 3.1.1.1 Competitive sale	7	3	6	4
5 : 3.1.1.2 Fire sale	7	3	3	4
6 : 3.1.2 Background checks on organisation	5	0	2	3
7 : 3.2 Strategic High-level analysis	88	58	86	67
8 : 3.2.1 The parents corporate vision and strategy	6	12	15	15
9 : 3.2.2 Acquisition purchasing motive	76	57	72	63
10 : 3.2.2.01 Strategic motive	2	19	23	19
11 : 3.2.2.02 Financial motive	2	4	18	2
12 : 3.2.2.03 Expand the business	6	13	6	3
13 : 3.2.2.04 Risk mitigation motive CBT	0	9	31	14
14 : 3.2.2.05 To improve Market position - Brand	15	5	4	12
15 : 3.2.2.06 Knock down selling price	19	10	7	0
16 : 3.2.2.07 To improve Market share	11	1	2	6
17 : 3.2.2.08 To move into Related markets - Fit	16	9	0	8
18 : 3.2.2.09 Business process reengineering	24	0	2	1
19 : 3.2.2.10 To obtain Synergies	0	0	7	11
20 : 3.2.2.11 Had known of the acquisition previously	0	3	0	5
21 : 3.2.2.12 Unique opportunity	7	1	0	0
22 : 3.2.2.13 To Grow business quickly	1	2	0	0
23 : 3.2.3 High-level Plan for the acquisition (Acquisition strategy)	12	0	3	1

Table 8.6: Sample of 4th Phase of data analysis - In Case & Cross Case Analysis (Nvivo Matrix) (See Appendix K for complete set)

8.3.5 5th phase of the data analysis process

The 5th phase of the data analysis process **involved further data reduction**. The In-case analysis organisational summary statements were compared against one another in Cross-case analyses, and against the conceptual process model developed in Chapter 5, complete with its supporting literature, in the development of Cross-case analysis summary statements that would facilitate further analysis in the development of the final complete acquisition integration process model. See In-case Figures / Tables produced in the results and discussion Chapter 9 to follow for detailed data analysis. In addition see Appendix K, horizontal columns for Cross-case analysis matrices developed from the qualitative data analysis software Nvivo.

8.3.6 6th phase of the data analysis process

The sixth phase of the data analysis process involved further data reduction in the development of a number of In-case organisational process models. The In-case organisational analysis summary statements were used to aid the development of acquisition specific In-case organisational acquisition integration process models. See In-case figures and tables produced in the results and discussion Chapter 9 to follow (Note: Not included at the request of each In-case organisation).

In addition the outcomes from the Cross-case analyses summary statements were used to **carry out further data analysis**. This entailed developing an overall interim M&A integration process model that would be grounded in reality and supported by appropriate literature i.e. a best practice model. See Cross-case summary statements in the results and discussion Chapter 9 to follow.

8.4 Data collection 2

8.4.1 Fieldwork method 2: Semi-structured interviews

In order to verify the appropriateness of these In-case M&A process models and the interim process model, each organisation was revisited and the participants who had part-took in the initial field work aspect of data collection were questioned about their appropriateness.

In the In-case M&A process model cases, participants were requested to comment on their experience in the integration process and the accuracy of the process model. Minor tweaking was suggested and each model was altered accordingly. This iterative process facilitated the triangulation of the research and helped to verify the findings of the In-case analysis. Note: Each In-case organisation requested that their In-case process model not be included in this document and this request has been honoured.

In the case of the interim process model, a questionnaire was developed around this model and each of the original participants was interviewed (see Appendix L for questionnaire). These interviews were recorded as per the ethics policy previously discussed. Each participant was questioned about the suitability and applicability of this interim process model in relation to the complex M&A integration process. Participants were also requested to suggest any modifications that they deemed relevant.

8.5 Data analysis 2

8.5.1 7th Phase of the data analysis process

A number of minor clarifications in relation to criteria or wording used were suggested in these semi-structure interviews. These clarifications were transcribed and coded and analysed via comparative analysis. Each In-case organisation was happy with the overall interim process model. There were no corrections suggested to the interim process model and all organisations requested a copy of the final process model complete with a high-level synopsis. Again, this iterative process facilitated triangulation of the research and verification of the findings. See Chapter 9 to follow for specific instances of clarifications and illustrative quotes.

8.5.2 8th phase of the data analysis process

The 8th phase of the data analysis process involved making the modifications to the interim process model based on the outcomes of the analysis from phase 7 i.e. minor tweaking and clarifications only and a final complete acquisition integration process model was developed as this was the ultimate goal of this qualitative data analysis research study i.e. making sense of the data, with the intention of answering the research question (Savin-Baden & Major, 2013, p.434). See Chapter 9 to follow for final M&A integration process model.

8.5.3 9th phase of the data analysis process

Phase 9 of the data analysis process entailed reviewing recently published relevant literature, carrying out and analysing the results of both an internal and external validation study with a number of senior executives i.e. new organisations not involved in the In-case analysis, re-appraising the conceptual process model in light of the field study findings, tweaking the final process model based on all of these findings and writing up an overall synopsis of the process model (see Chapter 10) and the overall limitations, conclusions, contributions to knowledge and suggestions for further research made by the author in this research (see Chapter 11).

In addition to the above and in order to verify the coded data and analysis approach adopted, a check was carried out by two third party doctoral supervisors, to verify the appropriateness of same. The coding and the approach adopted proved satisfactory and no amendments were suggested.

8.6 Implementation of the research studies ethical stance

Ethical considerations were of paramount importance in the data collection and analysis elements of this research and appropriate care was taken throughout these stages. In the data collection phase semi-structured interviews were conducted only with senior executives in each In-case organisation as this is the level at which acquisition decision making is made. Moreover, it is due to the confidential nature of the acquisition process and hence ‘elite bias’ (Savin-Baden & Major, 2013) was monitored carefully during data collection. It was found that each participant was mature and professional and elite bias was not evident in the interview process, as they were cognoscenti of the contribution of others in the integration process.

All participants were emailed a copy of their transcripts, as they had a right to view and amend as appropriate. In three instances amendments were carried out and in one case the amendment caused at least two questions to be almost eliminated (Miles and Huberman, 1994). It must be noted that the elimination of these two questions placed a limitation in the research as if these elements had been left in, they would have provided additional support for the two stages of post-acquisition integration developed in the model. See limitations in Chapter 11, section 11.1.

Social desirability bias (Yin, 1994) was not experienced *per se* during the interviews, however, in two instances in organisation A, participants B and E skirted around giving the full truth on an issue that had been confirmed as happening by participant A. This was noted during the interview. However these two participants did suggest later in the interview that they might do things differently in the future with regard to this aspect of the integration process.

The right to read the text where data is used was exercised, as one CEO at the start of the process requested that any reference in the document to his organisation must be approved by him in advance (Savin-Baden & Major, 2013). Each In-case organisation requested that their specific In-case process model not be included in this document and this request was honoured as per the organisations right in the ethical approach adopted in this study (page 74). Also, each In-case organisation has requested a moratorium on the thesis by Edinburgh Business School i.e. at least three years.

In addition the transcription services organisation and QDA support i.e. Nvivo training organisation, from which assistance was required, both signed a confidentiality agreement prior to commencement of their services and the data collection and analysis elements of the research. Also, permission was sought to record all interviews prior to their commencement and in all but one case it was received and data has been veiled to ensure anonymity. Documents have remained confidential and the research has been of benefit to the participants as noted through their post-interview comments and requests for a copy of the final process model and in some instances of the complete theses.

8.7 Conclusion

In the above chapter the author has attempted to provide a detailed insight into how the data collection and data analysis process aspect of the study was carried out. Data was collected using semi-structured interviews and documents, which was subsequently transcribed and verified, coded, categorised and coded-on. In addition In-case comparative analysis was carried out and the various In-case process models developed and verified with In-case organisations through an iterative process. Additionally Cross-case comparative analysis was carried out on the data, in conjunction with the conceptual process model and supporting literature and from this an interim process model was developed, which was subsequently tested and verified during semi-

structured interviews with the In-case organisations when minor suggested clarifications were accepted and subsequently analysed through comparative analysis to tweak the interim process model. From this iterative process a final complete acquisition integration process model was developed. A review of the recently published relevant literature was then undertaken. In addition both an internal and external validation study were carried out and a literature re-appraisal undertaken in relation to the original conceptual process model. The final process model was tweaked based on the outcomes of these reviews and validation studies. The author hopes that these rigorous approaches have ensured integrity in his research work and which consequently will be of benefit to other researchers. In the next chapter the author will discuss the results emanating from the 4th to the 8th phase of the data analysis process.

Chapter 9 Results and discussion

In the previous chapter the author outlined in detail how the project data was collected and analysed over nine phases to arrive at the development of the acquisition integration process model. In this chapter the author outlines how the research progressed from early 4th phase data analysis, with the development of the early version of the process model, right through to the 8th phase, process model development, by way of results and discussion. But first, a contextual overview of the In-case acquisition organisations.

9.1 High-level contextual overview of In-case organisations

The following contextual overview is provided to give a sense of each acquisition, while Table 9.1 provides a high-level synopsis of the main points of each acquisition.

Demographic	Organisation A	Organisation B	Organisation C	Organisation D
Sector	Financial	I.T.	Pharmaceutical	Media
Year of acquisition	2008	2010	2011	2007
Acquisition size	550 Staff	N/D	450 Staff	N/D
Location	London / U.K.	Dublin	Dublin	Dublin
Acquisition type	Horizontal	Horizontal	Horizontal	Horizontal
Unique features of acquisition	Target organisation was 4 times the size of the acquirer	Target product operated on hand-held devices. Acquirer operated on the network	The acquired organisation had to be carved out from its parent organisation.	Acquiring its number one competitor in the digital advertising sector
Conditions for sale	The acquisition was not core to its parent organisation. Was put up for sale.	It was in financial distress and was looking for a buyer.	The acquisition was not core to its parent organisation.	The acquisition was put up for competitive sale.
Success / Failure	The acquisition was a success	The acquisition was a success	The acquisition was a success	The acquiring organisation sees the acquisition as a strategic asset. They are in for the long haul.
N/D = Not disclosed.				

Table 9.1 In-Case organisation characteristics

9.1.1 *In-case organisation A*

In-case organisation A is involved in the financial services sector and is a medium sized firm employing about 100 people and carried out the acquisition in 2008. This was a unique acquisition because In-case organisation A was acquiring an organisation approximately four times its size i.e. with about 550 staff. The acquisition target was a very minor division within a large multinational financial services organisation that was run like a manufacturing organisation, with numerous layers of management. It was very much a peripheral division and not in any way core to the parent. In fact it had let it wither for about 3 years, while it decided what to do with it and in this period the staff had become marginalised. The acquisition had been up for sale a number of months before organisation A entered the bidding process. It was a horizontal move in that organisation A acquired one of the leading organisations in the marketplace. In-case organisation A successfully completed the acquisition in late 2008 and senior management considers that the integration has been very successful and that it has met all its challenges ahead of their targets.

9.1.2 *In-case organisation B*

In-case organisation B carried out its acquisition in 2010. It acquired a small software manufacturer in a niche market that allowed it to offer a full complement of services to its clients, instead of their having to go elsewhere to get additional services i.e. it was a horizontal acquisition. The acquisition was in financial distress and was about to go to into liquidation. The acquisition target's software operated on handheld devices, whereas the acquiring organisation's operated on the network, hence a series of checks had to be completed to assess its suitability. As the acquisition target had been previously looking to sell, it had all the due diligence information ready for analysis. The target was successfully acquired and saved from going into liquidation, post-acquisition the team was integrated, all product deadlines were met and all bar one of the founding team are still in place and fully integrated. The acquisition was deemed a success by the acquiring organisation.

9.1.3 *In-case organisation C*

Organisation C is involved in the pharmaceutical sector and develops its own proprietary products. The acquisition involved a horizontal move on the part of organisation C in acquiring one of its main competitors. The acquisition was carried out

in 2011 and approximately 450 personnel were acquired in the transaction. The acquired organisation shared all services with its parent and in order to separate the acquisition from the parent, the acquiring organisation had to carve out the specific parts relating to the acquisition from the parent which was the unique aspect of the acquisition. A large number of transaction service agreements (TSAs) were involved in the acquisition and all targets have been met. Short-term the revenue and production were not disturbed and all integration milestones were met and full long-term integration is under way with it recently being announced that a third of the work force i.e. approximately 150 personnel would be let go in the acquired organisation.

9.1.4 In-case organisation D

In-case organisation D is involved in the media property print advertising sector and it purchased a strategic on-line advertising business as it was keen to get a foothold in the digital sector i.e. it was a horizontal acquisition of the number one player in the digital advertising market. The acquisition was completed at the height of the economic boom. In-case organisation D had previously tried to compete with the acquisition by setting up its own on-line offering, but was unsuccessful in its attempts to do so. Upon successfully completing the acquisition it ran it as a standalone entity where nothing changed. During the long-term integration and with the economy ultimately in recession, an opportunity came up in year five when the building lease was up and it was decided to bring the acquisition in-house to save money, but problems have been encountered. In-case organisation D is heavily unionised, whereas the acquisition is not, but both organisations have learned to live with one another and get along.

9.2 Stages and criteria from best practice literature and field research that warrant inclusion in the final process model.

All elements of the conceptual process model were carried out and indeed expanded upon by some if not all of the In-case organisations in various guises throughout the complete integration process. Hence they warrant potential inclusion in the final process model that is developed. But each feature will be discussed in more detail in the Cross-case analysis to follow.

Note: In order to synthesise the outcomes from the field study, the author has developed a number of tables and figures that summarise the main findings from the In-case and Cross case analyses. Table 9.2 provides an overview explaining the layout of Chapter 9 tables and figures developed that are used to outline the development of this complete acquisition integration process model.

Figure / Table No.	Title (In order of their occurrence in this chapter)
Table 9.1	In-case organisation characteristics
Table 9.2	Table explaining layout of Chapter 9's tables and figures
Table 9.3	Stages and criteria within those stages of the conceptual acquisition integration process model that were carried out in the In-case organisation integrations
Table 9.4	Stages and criteria within those stages emanating from 3 rd phase coding and early 4 th stage In-case coding that have been derived from field research
Table 9.5	Final complete acquisition integration process model stages and criteria
Table 9.6	Background factors: In-case organisational analysis
Table 9.7	Background factors: In-case organisational analysis illustrative quotations
Table 9.8	Pre-acquisition factors: In-case organisational analysis of acquisition context stage including illustrative quotations
Figure 9.1	Strategic high-level analysis stage and criteria
Figure 9.2	Strategic high-level: In-case analysis including illustrative quotations
Figure 9.3	Detailed candidate stage and criteria
Figure 9.4	Detailed candidate analysis: In-case analysis including illustrative quotations
Figure 9.5	Pre-acquisition plans (strategy) for post-acquisition integration
Figure 9.6	Pre-acquisition plans for post-acquisition integration: In-case analysis including illustrative quotations
Figure 9.7	Pre-acquisition plans for post-acquisition integration: In-case analysis including illustrative quotations
Figure 9.8	Negotiation process stage and criteria
Figure 9.9	Negotiation process: In-case analysis including illustrative quotations
Figure 9.10	Post-acquisition integration stages
Figure 9.11	Final complete acquisition integration process model
Table 9.9	Post-acquisition: In-case organisational analysis
Table 9.10	Post-acquisition: In-case organisational analysis illustrative quotations
Table 9.11	Post-acquisition: Review and Feedback In-case analysis
Table 9.12	Post-acquisition: Review and feedback illustrative quotations

Table 9.2 Table explaining layout of Chapter 9 tables and figures

The first step in the development of the complete process model was to outline the various stages and criteria within each stage that were developed in the conceptual process model in Chapter 5 and assess if all of these elements were actually carried out in the In-case organisation acquisitions. To this end Table 9.3 was developed and as can be seen all elements were undertaken.

Stages and criteria within those stages of the complete conceptual acquisition integration process model		
Background factors	Pre-acquisition factors	Post-acquisition factors
Corporate vision and strategy Acquisition purchasing motive	Acquisition strategy Acquisition strategy criteria <ol style="list-style-type: none"> 1. Unique weighting of pre-acquisition factors. 2. Development of a set of strategic, organisational and cultural critical success factors. Candidate selection <ol style="list-style-type: none"> 1. Assess candidates against strategic, organisational and cultural fit critical success factors. Due-diligence process <ol style="list-style-type: none"> 1. Carry out investigation against strategic, organisational and cultural fit critical success factors. Pre-acquisition integration strategy <ol style="list-style-type: none"> 1. Outline the goals for the immediate post-acquisition integration. 2. Decide on the pace of integration change required for short-term organisational and cultural tasks. 3. Devise appropriate organisational and cultural tasks. 4. Develop a set of appropriate organisational and cultural critical success factors. 	Post-acquisition integration strategy <ol style="list-style-type: none"> 1. Outline the goals for long-term post-acquisition integration. 2. Devise appropriate organisational and cultural tasks. 3. Decide on the pace of integration change required for long-term organisational and cultural tasks. 4. Develop a set of appropriate organisational and cultural critical success factors. Integration approach <ol style="list-style-type: none"> 1. Implement organisational and cultural tasks. 2. Monitor and control implementation via organisational and cultural critical success factors. Learning and feedback loop

Table 9.3 Stages and criteria within those stages of the conceptual acquisition integration process model that were carried out in the In-case organisations integrations.

In Table 9.4 the author highlights the additional stages and criteria compared to the conceptual process model that have emanated from the third phase of coding and early fourth stage In-case coding that have been derived from field research outcomes. Each feature will be expanded upon via the In-case and Cross-case analysis to follow.

Stages and criteria within those stages emanating from 3rd phase coding and early 4th stage In-case coding that have been derived from field research.		
(Note: These are in addition to the complete conceptual process model criteria)		
Background factors	Pre-acquisition factors	Post-acquisition factors
Integration project management. M&A process model. Extraneous strategic risks <ol style="list-style-type: none"> 1. M&A process risks. 2. Market forces risks. 3. Competitive forces risks. 4. Parental organisation market pressure risks. 5. The approach to luck. 	Acquisition context. <ol style="list-style-type: none"> 1. Analysis of acquisition context. 2. High level checks on organisation. Weighting of post-acquisition integration (fit) tasks in pre-acquisition integration planning. Due diligence investigation process. <ol style="list-style-type: none"> 1. Pre-due diligence checks 2. Strategic high-level due diligence 3. Detailed due diligence 4. Post-due diligence review (Development of a high-level business plan/objectives) High level integration planning. Negotiation process.	Verification strategy. Implementation of Pre-acquisition integration plans for post-acquisition integration. Post-acquisition integration planning. Integration review and feedback.

Table 9.4 Stages and criteria within those stages emanating from 3rd phase coding and early 4th stage In-case coding that have been derived from field research.

For the complete set of 3rd phase codes see Appendices J, part 2 and for the complete set of early fourth stage In-case codes see Nvivo In-case comparison in Appendix K; vertical columns for In-case analysis.

Table 9.5 has been developed by combining Table 9.3 and Table 9.4 together and positioning stages and criteria in positions deemed most relevant to a best practice complete acquisition integration process model. This table will be used to highlight the development of the final process model throughout this chapter, on a stage by stage basis, through In-case and Cross-case analysis in conjunction with the conceptual process model and comparisons with the pertinent literature. This will ensure that the final integration process model is grounded upon fact rather than theory, i.e. from the results of field study research and supported by the research literature.

Hence the In-case and Cross-case analysis that will now be discussed in detail will follow the format set out in Table 9.5. This format is based on the final complete acquisition integration process model stages and criteria and will include various visual illustrations as developed by the author of elements of the final process model. The analysis will commence with the In-case background factor analysis and culminate with the final process model as per Figure 9.11.

9.3 Background factors

A number of background factors such as integration project management, the development of a process model, M&A process risks, market forces risks, competitive forces risks, etc., have been identified from the field research as being of importance, but these background factors differ from the background factors developed in the conceptual process model. However the conceptual process model background factors were identified in the field studies as being fundamental to early stage high-level strategic analysis. Hence they will be incorporated into the main body of the process model and the new background factors as identified in the field research will become the process model background factors. The background factor In-case analyses complete with illustrative quotations (see Tables 9.6 and 9.7) and the Cross-case analysis will now be considered by the author.

Final complete acquisition integration process model stages and criteria		
Background factors	Pre-acquisition factors	Post-acquisition factors
Integration project management. M&A process model. Extraneous strategic risks 1. M&A process risks. 2. Market forces risks. 3. Competitive forces risks. 4. Parental organisation market pressure risks. 5. The approach to luck.	Acquisition context 1. Analysis of acquisition context. 2. High level checks on organisation.	Implementation of pre-acquisition plans for post-acquisition integration 1. Implement and monitor detailed plans as per timeframe developed. 2. Implement task plans 3. Implement specific plans 4. Implement high-level plans
	Strategic High-level analysis 1. The parent's corporate vision and strategy. 2. Acquisition purchasing motive. 3. High-level plan for acquisition – (i.e. acquisition strategy). 4. Strategic acquisition objectives.	Verification & Review 1. Verification of pre-acquisition plans for post-acquisition integration. 2. Carry out a review of the acquired organisation. 3. Assess soft cultural elements of the organisation
	Review of Strategic high-level analysis based on strategic acquisition objectives	Expand on High level pre-acquisition plans 1. Develop detailed low-level integration plans 2. Implement low-level plans. Review acquisition against refined objectives Implement or Revise and implement long-term plans based on original objectives or outcomes from verification and review. Develop feedback based on lessons learnt Revise process model Based on review/lessons learnt
	Detailed candidate analysis 1. Unique weighting of pre-acquisition fit factors. 2. Fit factor analysis. 3. Due diligence investigation process. (A. Pre-due diligence checks) (B. Strategic high-level due diligence) (C. Detailed due diligence) (D. Post-due diligence review) (Develop a business plan)	
	Review of detailed candidate analysis based on revised strategic acquisition objectives (Business plan) (Gate keeper process – Go / No Go decision).	
	Pre-acquisition planning (strategy) for post-acquisition integration 1. Integration approach. 2. High-level integration plans. 3. Specific integration plans. 4. Task integration planning. (Including weighting of post-acquisition integration (fit) tasks). 5. Detailed plans (S.M.A.R.T. criteria).	
	Negotiation process 1. Pre-acquisition plans for post-acquisition integration. 2. Strategic negotiation issues (A. SLA's / TSA's) (B. Integration issues) 3. Unique sale aspect (A. Organisations market position) (B. Economic climate) (C. Type of sale) 4. Negotiation strategy	

Table 9.5 Final complete acquisition integration process model stages and criteria

9.3.1 Integration project management: Cross-case analysis

As can be seen from the In-case analyses tables the level of integration project management that happens varies from no integration project management right through to a single point of responsibility for the overall integration project management (see Table 9.6 and Table 9.7). All organisations, however, agree that integration project management from the outset is worthwhile. Hence the process model advocates the adoption of an integration project management approach from inception of the acquisition right through to completion of the integration process. This research finding also supports the proposals made by Askenas, DeMonaco & Francis (1998) and Bower (2001) that the integration process should be properly managed from the outset. However this may be a luxury that some organisations cannot afford (organisation A, participant A).

9.3.2 M&A Integration process model: In-case and Cross-case analysis

No organisation developed an overall M&A integration process model to guide it through the complete integration process. Various reasons were given from; “there just wasn’t time” (organisation A, participant B), to “there is probably no one solution fits all” (organisation C, participant C). Another organisation developed “more of a project plan, than anything else” (organisation C, participant A), with organisation D leaving the acquired organisation as a standalone entity, so it didn’t see a requirement for an integration process model.

M&A process stages	Organisation A	Organisation B	Organisation C	Organisation D
Integration project management	A small team was put together for the due diligence process. This team was subsequently made responsible for the management of the integration process. This was by pure accident (participant B), but it worked out very favourably.	The C.O.O was charged with managing the complete process from inception to completion. He went to the board with the proposal and then managed the integration.	Organisation C, managed the whole process very professionally. They set up an in-house steering committee of senior executives. One of these executives was given the responsibility to manage the integration process and then they brought in outside consultants to help with the integration planning process.	There was no requirement to manage the integration process as they would be left standalone to run as they normally had pre-acquisition. They reported in financially once a month.
Extraneous strategic risks				
1. M&A Process	Organisation A seemed to be very much aware of the risks of the M&A process and focused very heavily on getting the integration right, possibly to the detriment of other elements of the organisation.	No major problems experienced here, maybe just that the due diligence process and planning were rushed (they were almost intuitive). But this could not be helped as it was a fire sale.	The rush to close was seen as a good thing as it kept people focused. But cultural elements of the integration were not given much attention at the early planning stage of the process.	Organisation D did experience the risks of the M&A process. The competitive sale (lead to overpaying for the acquisition) and short due diligence process caused a number of integration issues.
2. Market forces	Organisation A experienced a market shift whilst carrying out its integration and it had to react to this shift.	Organisation B felt that the acquisitions proposition was fundamentally flawed and needed to change and move onto the network.	Organisation C had decided to radically alter their market strategy by developing their own proprietary products similar to what the acquisition was doing.	The market was moving on-line and organisation D needed to diversify, plus it was moving from sales to a rentals advertising market.
3. Competitive forces	Did not experience any direct competitive forces. Its new size however, caused it to come into focus as it was now of strategic importance.	The acquiring organisation had identified that it was lacking a competitive aspect and it was carrying out the acquisition to combat that weakness.	The acquisition was cannibalising one of the acquiring organisations products, Hence one of the motivations for carrying out the acquisition.	A number of competitive forces were at play. Its main rival had switched to a subscription model and hence the business model was no longer sustainable.
4. Parental Organisation market pressure	The acquirer had to go to the markets during the recession when the banks were not lending. Hence parental implications.	No parental problems experienced.	By developing its own products it had used up a lot of cash and was loss making. Hence completing the acquisition would make it cash-flow generative and profitable.	Purchased at the peak of the economic cycle and hence paid a high price. Parent had to undertake a complete restructure and some blame the acquisition for this.
5. The approach to Luck	They had identified a technology platform that they were going to discard post-acquisition and then the market moved to that platform, hence it is now their main IT platform for the whole organisation.	The seller was in financial distress and going to the wall, hence it was a fire sale and the acquiring organisation could get it at knock down price.	The acquisition parent was looking to offload the acquisition as it wasn't core and they wanted to pay off some debt, Hence the acquirer possibly got it at a cheaper price.	A lot of bad luck. Bought at peak under competitive conditions. Paid a high price and saddled with a lot of debt. Also, market shifted to where the main competitor was already established. In addition the selling proposition model changed.

Table 9.6 Background factors: In-case organisational analysis

Background factors	Illustrative quotations
Integration project management	<p>Organisation A: <i>"It being the same individuals, a team creating the due diligence ... so doing the due diligence, building the business plan and executing it, the benefit of that is immeasurable"</i> (Participant B). But it was <i>"circumstance than strictly planning"</i> (Participant C).</p> <p>Organisation B: <i>"One who went to the Board with it". He "was the one who then had the guys reporting to me. So I ... well knew that I was going to make sure the stuff was going to come out when it was going to come out, so I knew that it did actually contribute all the way through"</i> (Participant D).</p> <p>Organisation C: <i>"The proof is in the pudding, it achieved its targets"</i> (Participant D). However participant A feels that the project management may not have been as successful without the assistance of the integration consultants, <i>"without them, we would have struggled ..., they were an independent body and everybody came into them with the project plans and whatever it was"</i>.</p>
Extraneous strategic risks	
1. M&A process risks	<p>Organisation A: <i>"You want to get the deal you know, this is great, but just miss very simple things and most transactions tend to fail over simple enough things"</i> (participant A). <i>"Running it and being overly focused on phases one and two. Technology take-out, rip-out, built. People take out, rip-out, built. I think we missed the strategic shift in the market"</i> (Participant A).</p> <p>Organisation C: <i>"What gets measured gets done"</i>. Due to the time pressures nobody wanted to open up the whole cultural side of things, it was seen as messy (Participant A).</p> <p>Organisation D: <i>"it's a very, very competitive position. I think you're pushed, you know, you're into a bidding process. That's where people tend to overpay for assets and I would say, that worked for them"</i> (Participant A).</p>
2. Market forces risks	<p>Organisation A: <i>"in getting in the door, within a few months of getting in the door, there was a market shift"</i> (Participant B).</p> <p>Organisation B: <i>"technology sat on the SIM in the phone; we felt that was a fundamental flaw that the technology should be brought into a network based strategy"</i> (Participant C).</p> <p>Organisation D: <i>"the world was beginning to move online and they needed that footprint"</i> (Participant B) as <i>"advertising dollars were heading toward online spend"</i> (Participant C).</p>
3. Competitive forces risks	<p>Organisation C: <i>"already being cannibalised by the product that the acquired had. By putting the two products together under one roof, basically totally took out the risk on that product"</i> (Participant B).</p> <p>Organisation D: The chief executive <i>"recognised that the model that we had was no longer sustainable"</i> (Participant C) and this was driven by the main competitor who <i>"had a subscription model"</i> (Participant C).</p>
4. Parental organisation Market pressure risks	<p>Organisation A: <i>"it was about 50% of our market capitalisation. So this was a bit of a make or break"</i> (Participant A).</p> <p>Organisation C: <i>"acquired side ... had a significant portfolio of commercial products, but didn't really have much of a pipeline. So they were generating a lot of cash. So automatically putting the two together, you now have your cash source for the acquiring organisation pipeline going forward, and not only that, you actually were throwing off cash to the bottom line and a combined entity was to become profitable as well"</i> (Participant C).</p>
5. The approach to Luck	<p>Organisation A: <i>"By luck to be completely frank with you, (IT Platform) was fantastically placed for where the market changed to"</i> (Participant B).</p> <p>Organisation B: It was <i>"like a fire sale scenario"</i> (Participant C). <i>"We purchased it at "25" times less than they were looking for"</i> (Participant C).</p> <p>Organisation C: The acquired organisation was <i>"looking to spin off the acquisition"</i> (Participant A). <i>"Simplify their business"</i> (Participant B).</p>

Table 9.7 Background factors: In-case organisational analysis illustrative quotations

Nonetheless, three of the case organisations believe it would be beneficial to develop a process model for the integration process as participant D from organisation A believed that such a model would be of invaluable assistance during the integration process. Organisation D on the other hand had developed a post-acquisition integration plan to go from standalone to full integration, a number of years after the acquisition purchase, and the view in that organisation was that its post-acquisition plan had not worked very successfully.

The results from the field study show that the development of a process model would be greatly welcomed and indeed, when verifying the authors interim process model each organisation felt it was a good reflection of what happened during the integration process and requested a copy of the final model, as they felt it would be beneficial to any further acquisitions that they might undertake in the future. Thus, this study expands on the research by Howell (1970); Shrallow, (1985); Jemison & Sitkin, (1986); Pablo (1994) and Ellis (2000) in the development of a process model to guide the integration process.

9.3.3 Extraneous strategic risks

Extraneous risks, such as those listed in Table 9.6 and Table 9.7, are forces that are outside the control of the organisation, but at the same time they need to be monitored and managed during integration process, as they may cause the integration to drift off-course and thus not achieve its objectives. Participant A in organisation D believes these risks are a major cause of concern as these risks are generally strategic and can potentially have an impact on the whole of the organisation. The cross-case analysis of these extraneous risks will be combined below.

As can be seen from above In-case analysis, the M&A process had both positive and negative effects. Negative impacts experienced by In-case organisation D were quite significant and may have resulted in the organisation paying too much for the acquisition. Which may have happened because of the competitive nature of the bidding process, time constraints which were exacerbated by the data room or the secrecy of the due diligence process. On the other hand, positive elements of the M&A process were also noted, such as participant A in organisation C seeing the M&A process as motivational, as “staff could see light at the end of the tunnel and it allowed them to move on”.

These findings support the findings concerning M&A process risks established by Jemison & Sitkin, (1986b) and expanded upon by Pablo, (1991 & 1994); Ellis, (2000); Zollo & Singh, (2004) and Handler in 2006 and it is the view of the author that these risks can be mitigated through a complete process model and good integration project management.

In the strategic market forces' In-case analysis the author highlighted the fact that risks can be both detrimental and highly advantageous to an organisation and that since the integration may take several years (Quah & Young, 2005), each organisation needs to be aware of these market forces and their possible impact. Therefore the integration process needs to be flexible to adapt to market forces as they arise. This is where good integration project management comes to the fore and a number of key market indicators need to be identified, planned for and managed during the integration process.

Managing competitive forces risks is critical to the survival of an organisation as integration can take up to several years (Quah & Young, 2005) depending on the size of the acquisition. Most of the acquisitions were completed for competitive forces reasons, but, as experienced by organisations C and D, competition can change the operating landscape. Hence consistent monitoring of key competitive indicators during the integration process is advised as one needs to anticipate competitive actions and reactions (possibly to the acquisition) and respond appropriately to that challenge.

The acquiring parent organisation may come under pressure from a variety of external sources that may cause it to overstretch itself, as experienced by organisations A, C and D. Hence the parental organisations' overall health and sustainability needs to be constantly monitored during integration, as it may have implications for the acquisition.

In order to take advantage i.e. opportunity, or minimise the effects i.e. risk of luck, one needs to have proper management structures in place first to detect opportunities and risks, secondly to assess them, and finally to enable the finding of a solution to either take advantage of the opportunity or to mitigate the risk. This is where project management of the M&A integration process comes into play, with good risk management practices. These issues must be considered when entering into the negotiation process, as 'one man's risk is another man's opportunity'.

Hence as can be seen from the above, project management of the acquisition integration process is essential in managing the extraneous risks, i.e. the M&A process, competitive/market forces, parental pressure and the approach to luck that can influence the integration process. In order to aid this integration project management, it is advisable that each organisation develop an acquisition integration process model. Thus each of these factors will be incorporated into the model being developed in this study as background influencing factors.

Summary of background factors

From his literature review and his field research the author has discovered that each acquisition integration process is unique and that it is advisable to adopt a project management approach from the outset to manage this uniqueness. In addition he has also established that in order to increase the chances of integration success it is advisable to develop a process model that can accommodate that uniqueness and he believes that as it has been shown that each organisation experiences a number of extraneous strategic risks that may impact on the integration process and hence a flexible adaptive project management approach in conjunction with the development of a process model is required in order to offset these risks.

9.4 Pre-acquisition integration stages

9.4.1. Analysis of acquisition context: Cross-case analysis

The reason for an acquisition sale has implications for the M&A integration process and indeed the final process model will need to take this into account, as outlined in Table 9.8. For example, organisation D was involved in a competitive bidding process and at the time the economy was booming. Thus, the repercussions for a priced asset in a seller's market, was that the acquisition proved to be costly and they may have paid too high a price to acquire it, as participant A highlights; "Going into a formal transaction process It's a very, very competitive position. I think you're pushed, you know, you're into a bidding process. That's where people tend to overpay for assets and I would say, that worked for them". And he goes on further to say, "but in retrospect, we overpaid for it". Hence one must be aware of the acquisition context going into the acquisition integration planning and negotiation processes.

There may be a number of results arising from paying too high a price for the target acquisition in the M&A integration process and these may include deeper cuts to staff numbers, greater efficiencies being sought and a rushed integration process, etc. These dangers need to be borne in mind throughout the pre-acquisition planning and implementation process.

However on the other hand take for example organisation B who purchased an asset that was going into liquidation. The implication here, being that it was a knockdown price, which in fact transpired to be the case, as participant D found, "I think the initial deal price they were asking for was something in the region of 25 times the price we actually paid". The implication here is that the integration process would not be as tough, due to low cost of the investment and so any potential headcount reduction not as severe.

Therefore the acquisition context and its implications need to be borne in mind throughout the integration planning process. In addition organisations undertake a series of high-level background checks on the target acquisitions to inform this aspect of the process. It must also be noted that while Ellis, in her doctoral research studies in 2000, also used the term "acquisition context" in her model, it is different to the one adopted here by the present author who will expand on this issue later.

M&A process stages	Organisation A	Organisation B	Organisation C	Organisation D
<i>Acquisition context</i>	The acquisition was very much opportunistic. Organisation A was not on the look-out for an acquisition at the time. It was a competitor and the main player in the market, hence strategic.	Participant D received a phone call from a M&A representative saying that the acquisition was up for sale and that they would be running a very tight process (i.e. the target organisation was about to go into liquidation).	The acquiring organisation had business development teams on the look-out for opportunities. The acquisition wasn't core to its parent, but was strategic to the acquiring organisation as it was a competitor that was cannibalising its product.	It came to the market (via a competitive process) at a time that the acquirer was looking to purchase it. Hence they saw it as being of strategic importance.
<i>1. Analysis of acquisition context</i>	Organisation A was fortunate from the point of view that the acquisition was put up for sale and that the parent didn't want it. This situation favours the purchaser.	The acquisition was directly relevant to organisation B's core business and allowed to attack adjacent markets	Both organisations had the same long term plan and of where they saw the industry and themselves going.	Organisation D had a clear vision and plan going forward to acquire the organisation and the acquisition was very much key to them achieving that overall plan.
<i>Pre-acquisition factors</i>	Illustrative quotes			
<i>Acquisition context</i>	<p>Organisation A: It <i>"was being disposed of by a large"</i> (Participant A) as <i>"it was not core"</i> (participant C) to their business.</p> <p>Organisation B: They would be <i>"running a pretty process"</i> (Participant A). It was not getting any <i>"traction"</i> (Participant B) and it was <i>"hitting the wall"</i> (participant B) and <i>"suffering financial distress"</i> (Participant C).</p> <p>Organisation C: They <i>"had a willing seller in the acquired"</i> (Participant B).</p> <p>Organisation D: The <i>"board went to the financial advisors and we put out a document to say, you know, we are interested in people looking at us"</i> (Participant B). <i>"It came onto the market at a time that we were looking at it and they were aware that ourselves and a number of others were interested in it. It was a formal sale process"</i> (Participant A)</p>			
<i>1. Analysis of acquisition context</i>	<p>Organisation A: As it was not core, a <i>"million or two would not make a difference"</i> (Participant C) in the grand scheme of things.</p> <p>Organisation B: <i>"We acquired, we had a very clear view as to what we were doing with it, what it meant for us as a company, strategically how we went to market, what skill sets we needed, where we would take it in the future. So there was a whole range of reasons why we went after it"</i> (Participant D)</p> <p>Organisation C: Both organisations had the <i>"same vision long term"</i> (Participant B). This was very important to organisation C, <i>"yes - an acquisition target generally needs to fit within your long term growth strategy"</i> (Participant D).</p> <p>Organisation D: <i>"By far the dominant reason for doing this was the strategic fit and getting into that strategic market for us"</i> (Participant A) <i>"tried unsuccessfully to compete with it, then, the next port of call was to acquire the company. That was the key reason to acquire"</i> (Participant A).</p>			

Table 9.8 Pre-acquisition factors: In-case organisational analysis of acquisition context stage including illustrative quotations

9.4.2 Strategic high-level analysis

The author identified four characteristics that are almost always noted in a high-level strategic appraisal and these generally happen simultaneously and are conducted by senior management at the outset of the acquisition integration process (see Figure 9.1). These include; the parent's corporate vision and strategy, the acquisition purchasing motive, a high-level plan for the acquisition i.e. acquisition strategy and the development of a number of acquisition specific objectives, typically 4 – 5. See Figure 9.2 for In-case analysis details.

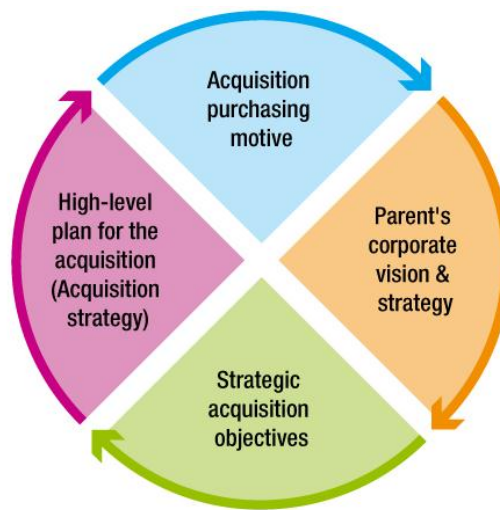


Figure 9.1: Strategic high-level analysis stage and criteria (By author)

This high-level analysis stage was confirmed by the In-case organisations through the interim process model verification process and the internal and external validation studies undertaken.

The parent's corporate vision and strategy: Cross-case analysis

In each of the In-case organisations it is quite obvious that the parent organisation had an overall vision of and long-term goals for the organisation as a whole. However only organisation C had planned to carry out acquisitions to achieve its goals and it provided documents to support this claim, whereas with each of the other In-case organisations, the acquisitions were opportunistic albeit strategic ones. However each organisation did evaluate acquisition opportunities against its corporate vision and long term goals as is clear from the analysis of the interviews they attempted to establish if the acquisitions in question would facilitate the achievement of the organisations goals, although there was no supporting documentary evidence provided to substantiate this other than from organisation C.

Organisation A: The acquisition was in direct competition to the acquiring organisation (participant C).
Organisation B: By completing the deal it allowed them to attack adjacent markets (partic. D).
Organisation C: Complementary proprietary product pipelines were being developed and organisation B was a number of years ahead (participant B). By combining them, this gave organisation C a portfolio of proprietary products (participant C).
Organisation D: They had tried to develop their own product in the past, but to no avail, as the acquisition target remained the No. 1 player (participant A). They also tried to purchase it in the past. Now that it was for sale, the motivation was greater.

Organisation A: It was a “unique opportunity to buy a brand, a recognized brand, a leading brand” (participant B).
Organisation B: They “had extra technology in an area where they didn’t have that experience in-house” (participant A).
Organisation C: “It de-risked the dependency on any one product” (participant B).
Organisation D: “Advertising dollars were heading to on-line spend” (participant C) & “they needed to have a strong position in digital or web advertising” (participant A).

Organisation A: They developed an overall business plan for the acquisition (participant A). It was an opportunity to turn around an organisation that was 4 times its size, reinvigorate it with a complete restructure & achieve it in the quickest possible time (participant C).
Organisation B: The acquisition was intrinsically linked to the organisation achieving its overall goals and objectives
Organisation C: They set objectives; 1. The combined entity will create a larger, faster growing organisation that is immediately and sustainably profitably. 2. It will have a diversified portfolio of products. 3. It will be the leader in ...4. It will have development and manufacturing capabilities that will provide a competitive advantage.
Organisation D: Their audience was beginning to move on-line and they recognized this and the acquisition afforded them the possibility to target this audience.

Organisation A: The overall vision & strategy was to grow the business in the U.K., by acquiring the No.1 player (participant C) in the market they leapfrogged from being No.7 to being the No.1 market leader, with 20% of the market (participant A).
Organisation B: Had identified that they were lacking a skillset in handset development & machine learning that needed to be addressed.
Organisation C: The vision was to grow proprietary product platforms and pipelines through its innovative formulation expertise and this was to be achieved through accretive product acquisitions.
Organisation D: Had identified that digital advertising and media were core and were anxious to get a bigger part of this market.

Organisation A: felt they “could rehabilitate it in terms of service quality and that would actually reinvigorate the brand” (partic. A).
Organisation B: It “formed part of their overall product strategy for handheld, it was not the only part” (participant B).
Organisation C: “the target for integration was; you will not disrupt production and revenues in the short-term. Long-term; full integration of the organisation” (participant D).
Organisation D: “We had a management structure and a financial plan. But it was very, very financially based one” (participant A).

Organisation A: The acquisition “gave them the size in the U.K. where we wanted to become a significant player” (participant A).
Organisation B: “To reposition ourselves and kind of address this weakness, we knew we had as a competitor” (participant D).
Organisation C: “instead of talking about your top 2 products, now you have top 5, with long patent lives, growing year on year” (partic. C).
Organisation D: “The internet was the way to go” (participant C) and they had made it “the core strategy of the parent” (participant A).

Organisation A: Integration objectives were developed around the extraction of the I.T. infrastructure, cost base restructuring, sales force restructuring, re-launch of brands & products.
Organisation B: Strategic fit was of paramount importance, with cultural fit and leadership team fit seen as next important. Though no formal matrices were set for these.
Organisation C: It would appear that to be all about the strategic sense of the acquisition, with organisational and cultural aspects not seen to be as important at this stage.
Organisation D: The main success criteria were very much based around strategic critical success factors and financial fit.

Organisation B: “financial criteria” (participant B) were also pretty high up there in terms of assessment criteria.
Organisation C: “the key thing that was looked at, at the time, and the dominant one was strategic fit” (participant D).
Organisation D: “They key objectives were to acquire a significant position within digital .. advertising market” (participant A). “Revenue, revenue, revenue, on, without doubt, bottom line. Revenue and bottom line” (participant B).

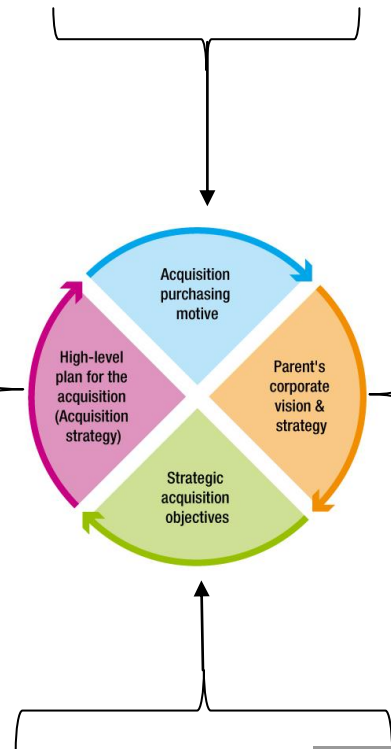


Figure 9.2 Strategic high-level: In-case analysis including illustrative quotations

In addition assessing each acquisition against its corporate vision and strategy allowed each organisation to establish strategic objectives for the acquisition, thereby supporting Hinterhuber (2002) and Marsh's (2005) research.

Acquisition purchasing motive: Cross-case analysis

The In-case organisational analyses highlights that there is quite explicit strategic motivations in all cases behind each acquisition; a unique opportunity to buy a recognised brand (organisation A), targeting adjacent markets (organisation B), expanding their portfolio of products (organisation C) and getting a dominant foothold in the digital property advertising market (organisation D). Hence the acquisition purchasing motivation is directly related to the corporate vision and strategy and this drives the ensuing processes, a view also taken by the authors whose works have been considered by this researcher in his literature review.

However a limiting factor in this analysis is that only organisation C had internal documentary evidence to support its case. External documents were found to support organisations A and D's case, while no internal or external documents could be found to substantiate organisation B's claim i.e. this assessment appeared intuitive.

High-level plan for the acquisition i.e. acquisition strategy: Cross-case analysis

No organisation developed what theory suggests as an acquisition strategy i.e. the rationale for the acquisition, but each acquiring organisation did develop a high-level plan for the acquisition to guide the integration process. This typically consisted of a business or a financial plan or both. These plans were all derived from the acquisition's unique motives, which is in-line with research carried out by Howell, (1970); Jemison & Sitkin, (1986); Pablo, (1991) and Ellis, (2000). However what may be missing in these plans is the aspiration that an acquisition strategy offers, hence participant A of organisation C made the following observation:

“There was, there was kind of like the strategy of both organisations, but there wasn't a defined long-term here it is. I suppose certainly not communicated at the level that, you know, there might have been some people who felt they knew it, but I don't think that there was ever any real attempt to be able to kind of say, you know, you guys were here, we've come in here, and by the way here is where we're off to. So I think that could have been clearer. I feel...if I think back to the survey that participant D completed as part of the post-acquisition, I think that probably was one of the areas that we got some feedback on”.

Therefore the author hopes that developing an acquisition strategy will give guidance to this process.

Strategic acquisition objectives: Cross-case analysis

Each organisation developed a small number of unique strategic acquisition objectives, typically 4 or 5 based around its corporate vision & strategy, the acquisition purchasing motive and the high-level plan for the acquisition. The objectives at this early high-level stage were mainly financial and strategic. Typically, a small number of senior executives were involved in this process and they were attempting to assess the acquisition's potential in achieving the overall vision for the organisation.

Summary of strategic high-level analysis

Each of these four elements - corporate vision and strategy, acquisition purchasing motive, high-level plan for the acquisition and strategic acquisition objectives are intrinsically linked and conducted simultaneously with some elements being intuitive. The output from this strategic high-level analysis phase should be a small number of strategic and financial acquisition objectives which should then be used to guide the acquisition integration process. Ideally these are aligned throughout the complete integration process.

Strategic high-level review

Subsequent to the above strategic high-level analysis, a review is usually carried out. This review aspect was discovered in the data analysis review and feedback In-case analysis section below, which will be discussed later. However the interim process model verification process found that this review is in fact carried out. A number of suggestions came out of that interim process model verification process and these are as follows; the review process typically involves the governance board complete with non-executive board members. A series of checks are then carried out against the strategic acquisition objectives as well as the following elements; 1. Are the financials sound? 2. Price/value, 3. Can funding be got? and 4. Can it be integrated? (Participant A, organisation A). It was also described as a "sanity check" by Participant A, organisation A.

9.4.3 Detailed candidate analysis

The author established from the In-case and Cross-case that three elements of the integration process generally occur simultaneously when conducting the detailed candidate analysis (see Figure 9.3). These include: 1. the unique weighting of pre-acquisition fit factors; 2. Fit factor analysis; and 3. A phased due diligence process. For In-case analysis details see Figure 9.4. This detailed candidate analysis phase is based on an appraisal of the target organisation against the strategic acquisition objectives generated in the previous strategic high-level analysis stage. These objectives are typically strategic and financial at this early analysis stage. This detailed candidate analysis process was confirmed by the In-case organisations in the interim process model verification phase and a number of helpful tweaks were suggested. These suggestions will be discussed in relevant sections later.

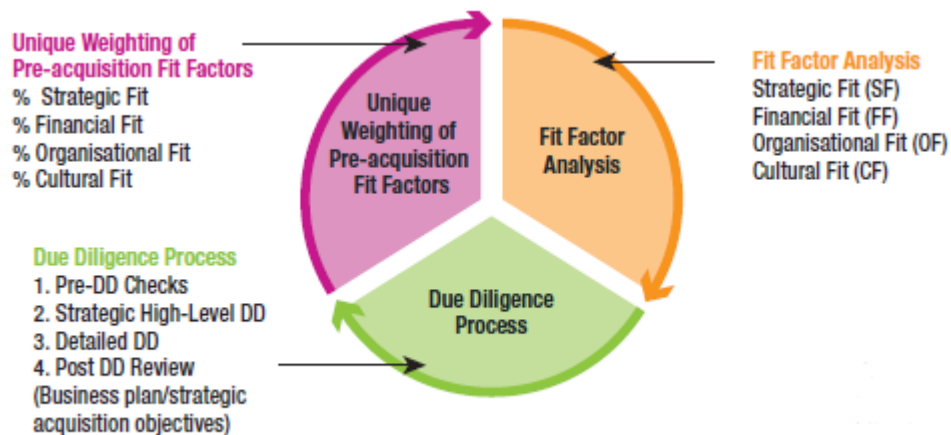


Figure 9.3: Detailed candidate analysis stage and criteria (By author)

Unique weighting of pre-acquisition fit factors/fit factor analysis: Cross-case analysis

All of the acquisitions are of strategic importance to each acquiring organisation. Again, at this early stage in the process, organisations are still primarily focused on ascertaining if the acquisition is worthwhile strategically and financially. Hence both of these are deemed of equal importance and thus are given the highest rating. This is in-line with Kitching's (1969 & 1974) observation regarding subjective and objective assessments. Hence the importance of the small number of strategic and financial acquisition objectives developed in the strategic high-level analysis to guide this investigation process. If the target acquisition doesn't satisfy these objectives, it is pointless for the organisation to proceed with the analysis or with the acquisition.

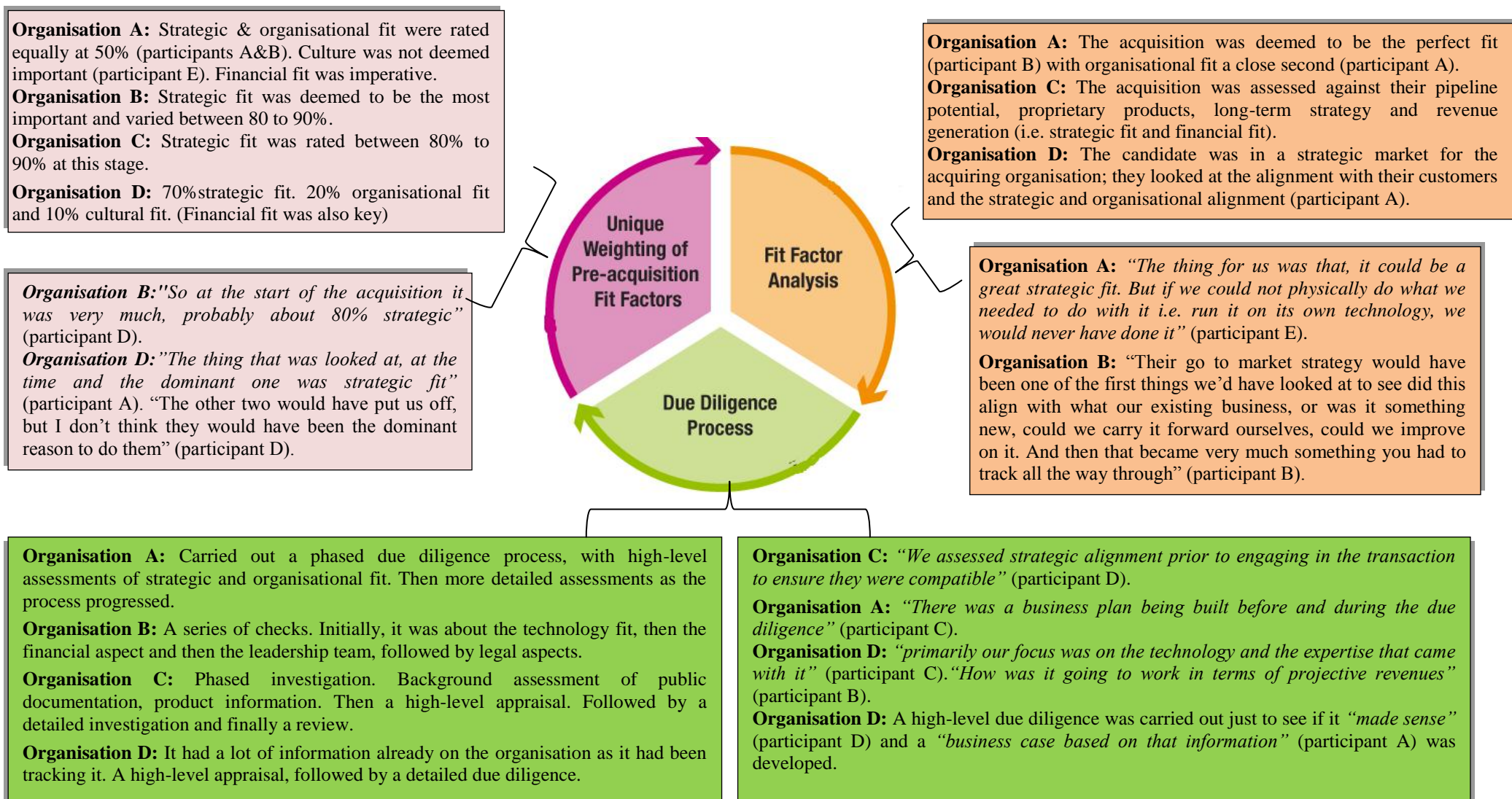


Figure 9.4 Detailed candidate analysis: In-case analysis including illustrative quotations

Once this high-level analysis has been completed and senior management are satisfied that the acquisition is a good prospect, then the analysis typically moves onto the organisational and cultural elements.

A word of caution though; each acquisition is unique and the early emphasis placed on the strategic and financial fit may be different for other acquisitions. The other two elements, while important, were found in this research not to have a big role in this early analysis and management decision-making process, other than that if they are not present, they may not go ahead with the purchase. Although, participant D in organisation C does not agree with this assertion as he did not place much of an emphasis on cultural. In addition organisations may not be given full access at this stage to each acquisition target, so a full appraisal of the organisational and cultural fit may not be possible. Typically, in the In-case analysis, the cultural assessment only involved analysis of the hard cultural issues such as tupe, salaries, bonuses, etc.

Due diligence process: Cross-case analysis

Again, this happens simultaneously with the other elements. This investigation process is based on an assessment of the strategic acquisition objectives. The In-case analysis highlights, that the due diligence process consists of a number of different stages. The first of these stages is a pre-due diligence background check on the organisation. This would involve assessing all of the publically available information on the organisation and In addition trying to find out as much as possible from clients, suppliers and other organisations that may have worked with the acquisition. The second stage involves a high-level strategic appraisal which may involve a data room. This is where the senior management assess the acquisition from a strategic fit and financial fit perspective, by carrying out high-level appraisals of accounts, looking at the organisational structure and having meetings with the senior target management team, both on a formal and informal basis. This will allow them to get a sense of the organisation and to assess whether the two entities are a suitable match. If this aspect is successful, then they move onto the detailed due diligence analysis. This is where all information on the organisation is typically put in a data room and limited access granted. At this stage, a detailed analysis of the acquisition is carried out. This may be conducted by in-house personnel or outside management consultants. This process needs to be carefully project managed so that the appraisal is conducted around the strategic acquisition objectives identified earlier.

Following this detailed appraisal, there is a post-due diligence review of the data analysed. The outcome of this review process is the development of a detailed business plan, which may involve the modification/refinement of the strategic acquisition objectives developed earlier, as the organisation has conducted a more thorough review of the organisation and is in a better position to judge the target organisation. The objectives developed from this detailed business plan are then used to plan and implement the acquisition integration processes. This is in line with Lynch & Lind, (2002) and Perry & Herd's (2004) findings and the opposite of Gates and Very's (2003) findings regarding European acquisitions i.e. that they don't use the information from the due diligence process to plan their acquisitions.

Summary of detailed candidate analysis

Each of these elements are intrinsically linked and conducted simultaneously. Strategic and financial fit are key at the outset of the analysis stage. Once these elements are satisfied then the analysis progresses to a detailed investigation of the financial, strategic, organisational and cultural fit. The exception is possibly the assessment of soft cultural issues. However Epstein (2005) and Papadakis, (2007) advocate a thorough review of all these factors. But in reality sufficient access and time to carry out such assessments may not always be available. The outcome of this analysis is a series of detailed strategic acquisition objectives developed from the business plan.

Gate keeper review process

Subsequent to the above detailed candidate analysis; the author established that a review is typically carried out. Again, this review aspect was discovered in the data analysis review and feedback In-case analysis section, which will be discussed later. Results from the interim process model verification process revealed that this review is in fact conducted and is referred to as the gate-keeper process and it typically involves the governance board complete with non-executive board members. A series of checks are carried out around the strategic acquisition objectives, hence continuing the alignment of these objectives, in addition to debt/equity funding questions. A go/no-go decision is made at the end of this review.

9.4.4 Pre-acquisition plans (strategy) for post-acquisition integration

The author established in the In-case analysis that most organisations plan for their post-acquisition integration in the pre-acquisition stage (see Figure 9.5), but the level of planning varies to a great extent, due possibly to the time constraints between the due diligence process and close of the deal (see Figures 9.6 and 9.7 for the In-case analyses). Organisation A developed high-level plans based around the business plan objectives developed from the due diligence stage as it was under time constraints. While organisation C carried out all post-acquisition integration low-level detailed plans in the pre-acquisition stage based on detailed strategic acquisition objectives as it had more time available to it (i.e. between signing contracts and closing).

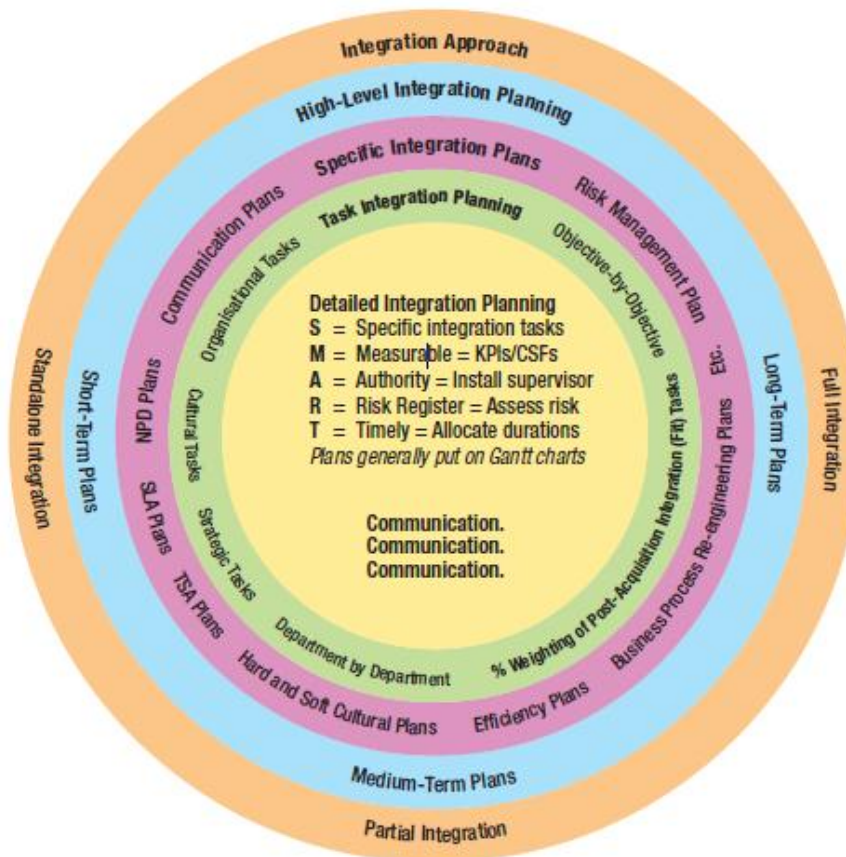


Figure 9.5: Pre-acquisition plans (strategy) for post-acquisition integration (By author) (i.e. pre-acquisition planning onion)

Integration approach:

Organisation A: This decision was made in the pre-acquisition stage and not post-acquisition. They had decided to partially integrate i.e. legally and financially into the existing organisational structure.

Organisation B: Again, this decision was made in the pre-acquisition stage. It was a fire sale, so full integration was the only option available.

Organisation C: Again, this decision was made in the pre-acquisition stage. The initial decision was to not disturb the revenue stream and production and long-term full integration was planned.

Organisation D: It had been decided a number of years previously to acquire the acquisition and leave it as a standalone entity. But that attempt was unsuccessful, but the decision remained. The fact that the acquisition was unionised may have influenced the decision.

Integration approach:

Organisation C: “the target for integration was; you will not disrupt production and revenues in the short-term. Long-term; full integration of the organisation” (participant D).

Organisation D: “The plan we had to integrate it was, I suppose we were going to run it as a standalone and we were going to financially integrate it, or integrate it into a group structure, but really use that as a kind of beach head to grow the digital business. So we had decided that before we looked at it. Probably I suppose before the acquisition had come up” (participant A).

High-level planning:

Organisation A: Not a strategy *per se* but a series of high-level action plans (work streams). These involved a series of short-term 6 – 9 month objectives.

Organisation B: This consisted of a six month post-acquisition integration plan.

Organisation C: They developed very detailed pre-acquisition integration plans consisting of Day 1, 60 Day, 100 Day and 5 year.

Organisation D: They did not develop a pre-acquisition strategy, but instead developed a 5 year financial with rolling targets for post-acquisition integration.

High-level planning:

Organisation B: “How we would get certain components out, so we could demonstrate, so we could .. or .. had a much broader proposition which included handset components and how we also had additional intellectual property around” (participant D).

Organisation C: “I might not use that term. Did we have a plan from A to B.? We put in place governance structures. We thought out the pre-and the post-acquisition integration and how to measure success and we developed the plan around this. The plan was aligned throughout based on the objectives. These key objectives guided the process. We didn't have a cultural process” (participant D).

Specific integration plans:

Organisation A: Communications plans, new product development plans, Business process re-engineering plans, SLA's, etc.

Organisation B: These plans morphed into the overall organisational product development strategy plans.

Organisation C: Communications plans, risk management plans, efficiency plans, TSA plans, etc.

Organisation D: Revenue plans, profitability plans, cash generation plans, etc.

Specific integration plans:

Organisation A: “Rehabilitate the brand and that was going to be achieved by a much greater service level” (participant A)

Organisation C: “cash-flow generative, create a portfolio effect and de-risk plans” (participant C)

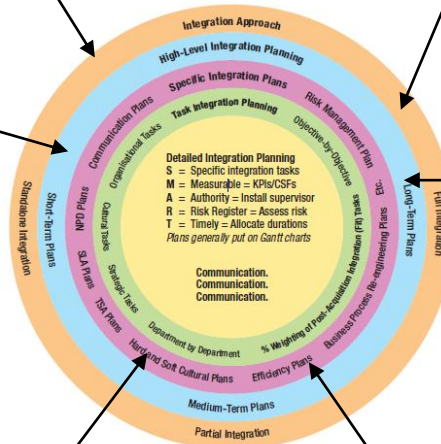


Figure 9.6 Pre-acquisition plans for post-acquisition integration:
In-case analysis including illustrative quotations (Part 1)

Task integration planning:

Organisation A: This was carried out on an objective by objective basis as there was a series of overall cross departmental objectives.

40% strategic fit, 50% organisational fit and 10% cultural fit.

Organisation B: This was carried out on an objective by objective as there was a series of cross departmental product developmental objectives.

Strategic dropped to 70% and 30% culture.

Organisation C: This was carried out on an objective by objective basis as there was a series of overall cross departmental objectives.

Organisation D: No tasks planned *per se*, as acquisition was being left to run as a standalone entity and report financially every month. Hence, no cultural or organisational tasks. 40% strategic, 40% organisational and 20% culture.

Detailed integration planning:

Organisation A: Specific objectives based around IT transfer of infrastructure, headcount reduction and cost base restructuring were followed through. High level work stream Gantt charts were developed, with time lines, risks, person in charge, and KPI's.

Organisation B: 3, 6 and 12 month staff review process. Based around overall product deadlines and sat within that framework for KPI's and person in charge.

Organisation C: All detailed planning was carried out in the pre-acquisition stage. All plans were converted to Gantt charts so that the processes could be managed post-acquisition. Detailed objectives were set, timelines assigned, KPI's, person in charge and a risk register done up for each acquisition.

Organisation D: Detailed financial plans were developed for year 1, 2, 3 and 5. This revolved around P&L accounts, balance sheet, etc.

Task integration planning:

Organisation A: "We had to obviously rip all that out (technology) and put it in our data center so that was a very significant objective, to get it done in a particular time frame" (participant A)

Organisation A: "Well, organisational tasks were by far the most important" (Participant E)

Organisation B: "It would have been mainly around ... there would have been a strategy about taking the technology into our product portfolio, and just as we would do any road map for products, there were road maps developed for this technology" (participant A)

Detailed integration planning:

Organisation A: "A to do it, to do it on time, to do it within costings in order to yield the savings and we had set ourselves pretty aggressive targets in order to achieve that" (participant A).

Organisation B: "The critical success factors were getting products integrated, re-branded, tested, and out into the hands of the sales guys so they could go and demonstrate" (participant D).

Organisation C: "We need to achieve a certain, cost target, on our cost of sales and on general and administrative (i.e. G&A) we don't want to spend more than X. And then it's pushed down to a lower level in the organisation to make it work" (participant B).

Organisation C: "Everything was used. There was no planning for post-acquisition after the close. All detailed planning was carried out pre-acquisition. Pre-acquisition plans were developed for post-acquisition integration of the short, medium and long-term. The integration is still on-going. Planning for the long-term happens pre-acquisition" (participant D).

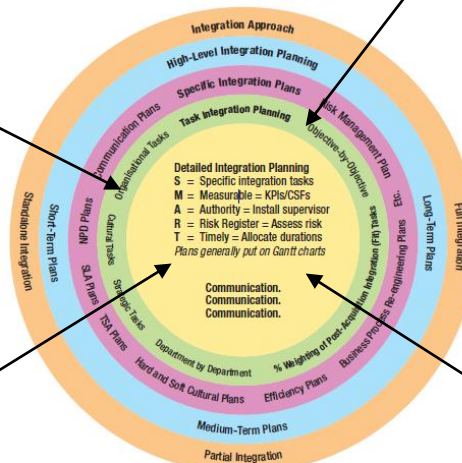


Figure 9.7 Pre-acquisition plans for post-acquisition integration:
In-case analysis including illustrative quotations (Part 2)

Integration approach: Cross-case analysis

The author ascertained from the In-case analyses that deciding on the correct integration approach is of paramount importance and this decision is taken in light of the strategic acquisition objectives developed in the business plan. The integration approach varies from “standalone”, to “partial” or “full integration” and deciding on the extent of integration required determines the planning requirements to follow.

This is in contrast to the conceptual process model, which suggested that the integration approach was decided in the post-acquisition stage. It will however be included in the pre-acquisition stage in the final process model as an outcome from the field studies. The determination of the appropriate level of integration supports the research findings of Shrivastava, (1986); Nahavandi & Malekzadeh, (1998); Haspeslagh & Jamison, (1991); Schweiger et al. (1993); Pablo, (1994); Hubbard, (1997); Birkinshaw, Bresman & Hakanson, (2000) and Lynch & Lind, (2001).

High-level integration planning: Cross-case analysis

All In-case organisations developed high-level integration plans with short-, medium- and long-term time frames based on the strategic acquisition objectives i.e. business plan objectives. However the duration of these time frames varied amongst the organisations. Finally breaking the plans up into these time frames enabled each organisation to focus on the important elements and resources (i.e. financial and human) required for its integration. A view supported by the research carried out by Pablo (1991 & 1994); Askenas, DeMonaco & Francis (1998); Ellis (2000) and Quah & Young (2005), all of whom advocate short- and long-term planning.

Specific integration plans: cross-case analysis

All organisations developed specific integration plans from the strategic acquisition objectives and these plans varied from risk management plans to new business development plans, etc.

Note; one aspect that wasn't included in the conceptual process model is planning for the organisation's future e.g. new product development. However this goes hand-in-hand with the integration process, as management in these organisations believe that it will drive the integration along at a faster pace and also provide opportunities for each organisation to share ideas, resources, etc. However management in organisation A

found that introducing the planning and development of new products, while trying to carry out the complicated integration process, was not advisable because it distracted it from the integration task.

In addition Organisations A and C found that a well-developed communications strategy is of paramount importance to successful cultural integration which is a view also held by the authors Marks & Mirvis (2001). The results of a post-acquisition survey with senior integration staff carried out by organisation C confirm this. In addition they observed that what makes the communications strategy so successful is the inclusion of a well-defined organisational structure that is clear and unambiguous and that provides clarity for staff on reporting structures and regulations, lines of authority, positions of responsibility.

Additionally as one may not have been able to assess the soft cultural elements of the target organisation, then the emphasis placed on this communication plan may be more important in order to explain the integration plans.

Task integration planning: Cross-case analysis

As each acquisition is unique then the level of task integration required is unique to that acquisition. Hence the percentage weighting assigned to the various fit tasks needs to be determined. But unlike the earlier emphasis placed on the strategic and financial fit in the detailed candidate analysis (which have now been satisfied), the emphasis here is on the organisational and cultural elements as these are key in this task integration planning stage, as most of the integration revolves around organisational and cultural tasks being completed.

The In-case analysis revealed that the organisational and cultural tasks average 40%. It must also be noted that the cultural planning at this stage may still only be based on hard cultural elements and not soft cultural elements due possibly to a lack of access in the investigation process. Participants also noted that cultural integration is very much underestimated and may account for most of the integration tasks, as observed by Participant A in organisation C;

“The milestones would obviously have been identified in the pre, and those milestones were measured on an on-going basis. And HR were probably, as I said the core groups that were involved in the milestones, if we were to look at the numbers of

milestones, we probably had HR, Finance, Legal, IT. That was the cohort of groups that had the biggest part of the milestones overall. The rest of them might have had maybe one or two key things”.

Each of the specific integration plans was broken down i.e. objective-by-objective and task integration plans were developed for the various departments or across departments i.e. H.R., I.T., R&D, Administration, Risk, Compliance, Quality, etc. around organisational, cultural and strategic integration tasks. This is in agreement with Walenciak, (1991); Pablo, (1994); Harwood, (2001) and Barkema & Schijven, (2008).

Detailed plans (S.M.A.R.T. criteria)

At a lower level each of these strategic, organisation and cultural task plans were assigned S.M.A.R.T criteria to facilitate the integration management process. Each plan had a specific integration task (S), a measurable aspect (M) i.e. Key Performance Indicator, an authority (A) figure i.e. person responsible for the task, a risk assessment (R) and a time-line (T) i.e. duration. Each of these plans was typically put onto a Gantt chart, a work stream diagram, a roadmap or into various project management software packages.

Developing goals, milestones and performance indicators for the integration process is supported by Schweiger et al., (1993). In the case of organisation C, it is participant D's belief that all detailed low-level planning should be carried out in the pre-acquisition stage. Whereas with organisation A, plans were developed at a high-level in the pre-acquisition stage and then it developed these plans in more detail in the post-acquisition stage, to give flexibility as they may discover something new about the acquisition in the post-acquisition stage. It could also possibly be for motivational reasons to give their staff the objective and let them do the planning. Likewise, organisations B and D only planned at a high-level in the pre-acquisition stage.

Summary of pre-acquisition planning for post-acquisition integration

As each acquisition is unique, then management in each organisation needs to decide on the most appropriate integration approach to achieve its strategic acquisition objectives. Following on from this high-level short, medium and long-term plans will be decided upon for the integration. Upon completion of these high-level plans specific plans will be developed for integration and subsequent to this specific task integration plans based around acquisition specific objectives will be developed having regard to the unique

weighting i.e. the percentage of strategic, organisational or cultural tasks required to achieve the objectives. Subsequently detailed plans with S.M.A.R.T. criteria will be developed for the integration management process that will follow post-acquisition.

Review process

Again a review is carried out by the senior management executive after the pre-acquisition planning to assess if the plans are in-line with the strategic acquisition objectives and to provide a 'sanity check' to the organisation. Ideally the non-executive directors should have acquisition integration experience and provide advice on the effectiveness of the plans.

9.4.5 Negotiation process

The author established that four elements are frequently found to exist in the negotiation planning process which generally occur simultaneously and these elements include; 1. Pre-acquisition plans for post-acquisition integration, 2. Strategic negotiation issues, 3. Unique sale elements and 4. The development of a negotiation strategy (see Figure 9.8). This negotiation process and specifically the negotiation strategy that is developed, is based on the achievement of the strategic acquisition objectives. See Figures 9.9 and 9.10 for In-case analysis details.



Figure 9.8: Negotiation process stage and criteria (By author)

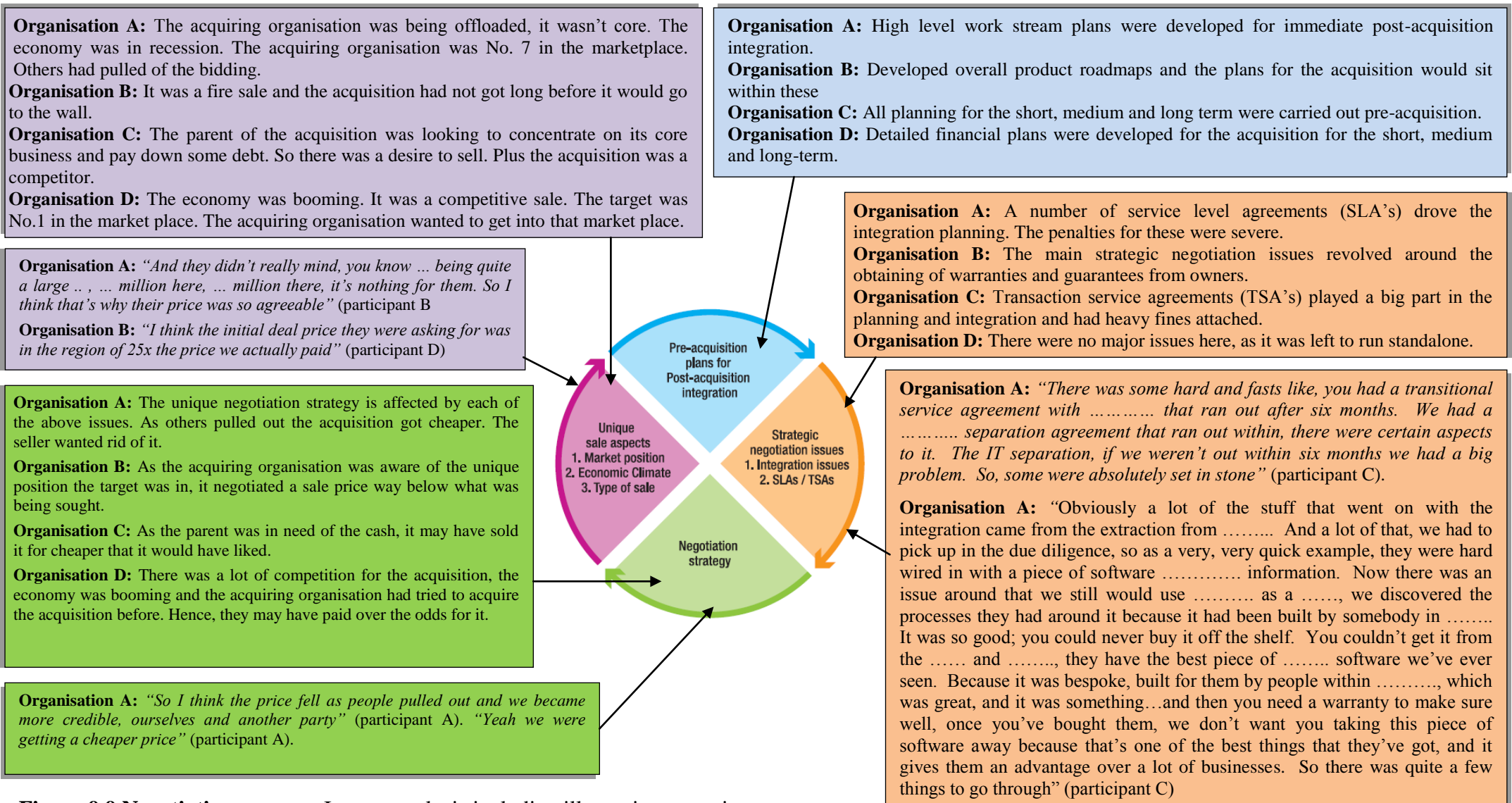


Figure 9.9 Negotiation process: In-case analysis including illustrative quotations

Pre-acquisition plans for post-acquisition integration: Cross-case analysis

The development of the pre-acquisition integration plans for post-acquisition integration supports the negotiation process and the development of the negotiation strategy, by facilitating the organisation in setting limits to its negotiation strategy, a view supported by research carried out by Gates & Very (2003). This stage in the process has just been discussed above, and hence it will not be discussed further here.

Strategic negotiation issues: Cross-case analysis

The strategic negotiation issues typically include any special service level agreements i.e. SLAs or transaction service agreements i.e. TSAs, in addition to any specific integration issues that may have knock-on implications for the integration and negotiation strategy. Organisation A found that the various SLAs dictated the integration process timelines. The penalties set in the SLAs were quite severe and revolved around the organisational tasks such as I.T. rip-out, building and moving the I.T. to new buildings, etc.

Other features / elements involved in these integration decisions, revolved around cultural tasks that needed to be completed, such as a headcount reduction of 185 personnel. Organisation C found itself in a similar situation. It had to completely decouple from the selling organisation i.e. carve themselves out. This included production lines, IT, admin, etc. as the acquisition was a part of the organisation and as such the transaction service agreements (TSA's) penalties were severe. These elements need to be clearly established at this stage to obtain warranties or factor in the penalties in the sale price.

Unique sale elements: Cross-case analysis

There are a number of elements involved here. Senior executives in organisation B found that by being aware of the target organisations situation i.e. fire sale and that by getting to know the senior management team, they could agree a better price during negotiations. This would also apply to the management of organisation A, who knew that the acquisition wasn't 'core' to its parents plans and could negotiate on this basis. This is in contrast to organisation D which was involved in a competitive bidding process. Hence, the type of sale is important. In addition factoring in the present macroeconomic climate is important as the economy may be thriving or in a recession and this may affect the price of the acquisition. Additionally as was clarified in the

interim verification process, establishing your market position is another important element in the negotiation process. You may be the number one player and the only obvious purchaser or you could be number 10 trying to purchase number 3 and hence you may not have as much say. So, each element is important and needs to be taken into account in the development of a negotiation strategy.

Negotiation strategy: Cross-case analysis

Therefore knowing that large penalties can be imposed through SLA's or TSA's, establishing whether the acquisition is a fire sale or competitive sale, and what the plans are for post-acquisition integration is very valuable in the negotiation process and hence it is important that each element is developed simultaneously. The outcomes of this negotiation process could have serious implications for the post-acquisition integration to follow. Thus being aware of these factors going into the negotiation allows the acquiring organisation to develop a negotiation strategy that sets limits on the purchase price and determines the level of warranties required.

Summary of the negotiation process

The negotiation process involves a number of elements being conducted simultaneously in order to develop a negotiation strategy. Each of these elements from the pre-acquisition plans for post-acquisition integration, to the unique sale elements and the strategic negotiation issues all need to be expanded upon in order to facilitate the development of a thorough negotiation strategy complete with limitations and warranty requirements. If each of these elements is thoroughly developed then the acquiring organisations is aware when going into the negotiation of the implications of its actions on the post-acquisition integration process.

Review process

Upon successful completion of the acquisition the executive team should review the acquisition in light of the strategic acquisition objectives. Again, this review process is a governance one and should include the non-executive directors.

9.5 Post-acquisition stages:

Post-acquisition the author established that a number of events may need to occur but not all of these may be necessary depending on the unique situation that the acquiring organisation finds itself in. However the literature findings and field studies support their inclusion in the integration process and it must highlighted that if they are not carried out then the integration process may be put at risk (see Figure 9.10).

A number of elements are involved in the post-acquisition integration process and some of these elements were not included in the conceptual process model developed in Chapter 5 as they only came to light through the subsequent field study research. The post-acquisition stages typically consist of 1. Implementation of the pre-acquisition plans for post-acquisition integration, 2. Verification and review, 3. Expansion of pre-acquisition high-level integration plans into detailed low-level plans and 4. Possible modification to long-term plans (see Figure 9.10). But, first, implementation of pre-acquisition plans for post-acquisition integration will be discussed.

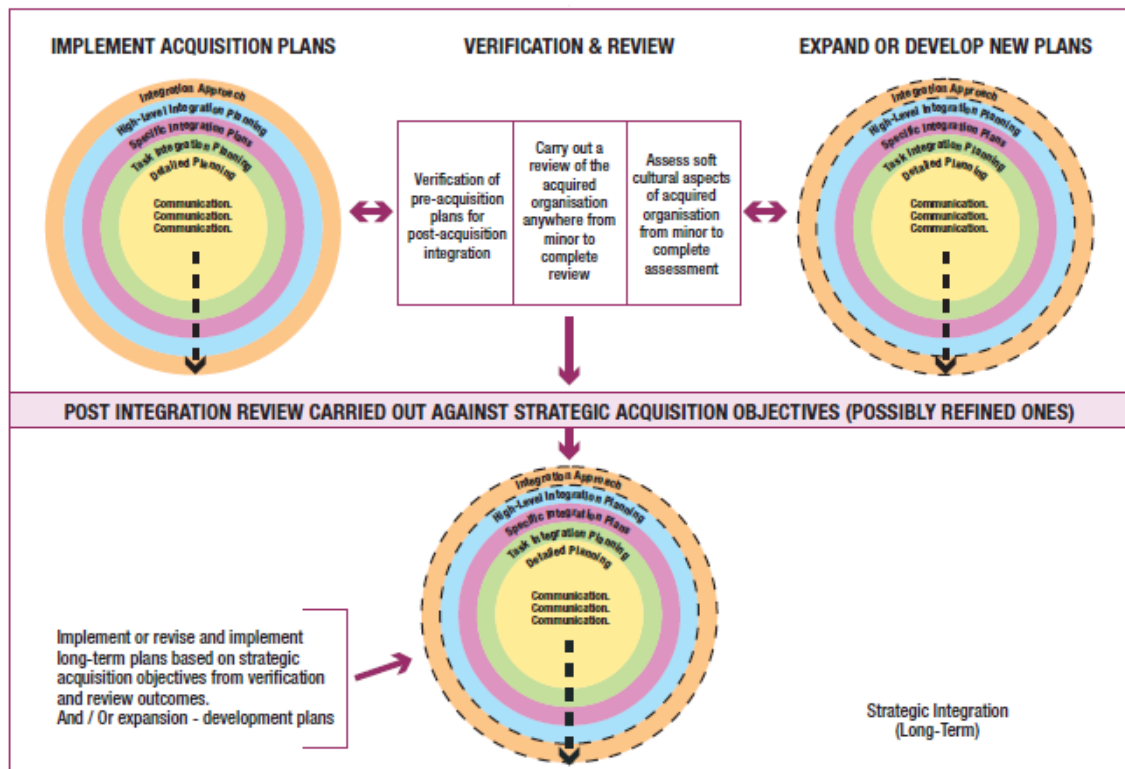


Figure 9.10 Post-acquisition integration stages (part thereof) (By author)

M&A process stages	Organisation A	Organisation B	Organisation C	Organisation D
<i>Implementation of pre-acquisition plans for post-acquisition integration</i>	6 – 9 month high-level pre-acquisition plans were implemented post-acquisition. All staff were put on notice until a complete review was carried out.	Implementation of the NPD strategy was carried out and monitored monthly.	The pre-acquisition integration plans were implemented and monitored daily, weekly, monthly etc, post-acquisition.	The financial plan was implemented and monitored on a monthly basis post-acquisition. Post-acquisition it was mainly all about monitoring the finances.
<i>Verification & Review of pre-acquisition plans for post-acquisition integration</i>	A complete review of the organisation was under taken over 6 months and the outcome of this review was the development of detailed low-level integration plans, for the short, medium and long term.	No review of the acquisition was undertaken. But the organisations product offerings are continually reviewed.	*There was no need for this as extensive and low-level detailed plans were completed in the pre-acquisition stage.	Once acquired a very detailed review of the financial was undertaken to verify the accuracy of the financial plans.
<i>Assess cultural elements</i>	A complete review was carried out of the soft cultural elements as this could not be assessed in the pre-acquisition stage at all. Also a big emphasis was placed on the implementation of the communication strategy.	The acquired personnel were monitored on a three, six and 12 month basis and were put working in small teams.	Culture was not assessed post-acquisition, but a big emphasis was placed on the implementation of the communication strategy. This strategy was specifically mentioned as being very successfully.	No attempt was made to assess the cultural elements of the acquisition. This was not deemed necessary as it would be left operating on a standalone basis.
<i>Expand high-level pre-acquisition plans to low-level detail</i>	The pre-acquisition integration strategy work stream plans were expanded upon once the acquisition was complete and they were developed to a greater detail during the integration process. Each work stream was assigned a person in charge, task description, comments section, time-line and progress column.	The acquisition was only a small part of a bigger product offering, which is continually under review.	**No planning was carried out post-acquisition as all the planning was completed pre-acquisition.	This was not undertaken as it was being left to operate as normal.
<i>Implement or revise and implement long term plans</i>	In addition the long-term plan was also developed and implemented.	The acquisition sat within a bigger product offering and whenever that offering is assessed, so too is the acquisition.	***The long-term plans were also developed in the pre-acquisition stage.	The acquisition was closely looked at a number of years later (twice) with a view to carrying out full integration. 5 years post-acquisition, full integration was undertaken to some success.

Table 9.9 Post-acquisition: In-case organisational analysis

*&**Note: The reality for other organisations is that they may not have sufficient time pre-acquisition to review the organisation and plan the acquisition.

***Note: This may not be the case, as 2 years post-acquisition the acquired organisation let go a third of the acquired staff (one of the limitations).

M&A Process stages	Illustrative quotes
Implementation of pre-acquisition plans for post-acquisition integration	Organisation D: <i>“Financial metrics and also operational. So I suppose core metrics, would have been traffic and audience (so how are they developing customer’s, so how fast were they acquiring customers) plus the financial metrics and that would have been revenue and profitability”</i> (participant A). <i>“Very much around revenue”</i> (Participant B). <i>“Cash on hand”</i> (Participant C).
Verification & Review of pre-acquisition plans for post-acquisition integration	<p>Organisation A: <i>“Yes, no, given the short time in the due diligence and this concern about certain parts of the business, there was a review of a number of areas within it, particularly the ones that weren’t strictly compatible”</i> (Participant B).</p> <p>Organisation A: <i>“Because again, going in with the short time scale, the due diligence and not 100% knowing everything that was going on, which of course is impossible anyway, it was difficult to know, would we stick to the business plan, or would we have to change it once we are in because we’ve discovered something we didn’t understand”</i> (Participant C).</p> <p>Organisation C: <i>“one of the reasons we didn’t immediately push through some of the organisational changes in terms of peoples’ reporting structures is we didn’t really know how it was going to pan out either. And we hadn’t really figured out how certain parts were going to fit with other parts of the organisation. That’s probably if you’re talking about where do you think more diligence might have been relevant, I think we should have stepped up that effort in our first six months, post deal”</i>(Participant B)</p>
Assess cultural elements	Organisation A: <i>“Because we couldn’t work out what was really happening, locally we weren’t allowed to meet very many people. The staff we did meet didn’t seem to...it was as if they were being told not to tell us, not to be particularly open about how things worked and it was just something we were going to have to address once we got in”</i> (Participant C).
Expand high-level pre-acquisition plans to low-level detail	<p>Organisation A: <i>“You don’t really know, for some of them, like I was saying, you wouldn’t know what’s involved in doing it, so you can’t plan it before you just know you need to get a plan after, once you start figuring out stuff”</i> (Participant C).</p> <p><i>“Because once you get in you start breaking everything down”</i> (Participant C).</p> <p><i>“So we had work stream leaders, and each work stream leader with my research produced a Gantt chart. Those Gantt chart had milestones and objectives and end dates and those end dates had to be adhered to because they were, I believe, they were in the sale agreement”</i> (Participant E)</p> <p>Organisation C: <i>“So strategic planning I think was well ahead of the organisational planning”</i> (Participant B)</p>
Implement or revise and implement long term plans	<p>Organisation A: <i>“Yes, there was a definite strategy for buying them and what to do Post implementation and then once that was out of the way how the business was going to be changed, because you couldn’t it was difficult to do it all at once with the time scales. You had to complete the purchase, follow through on the integration that requires you to extract the business out from and then start looking to put forward the strategy that had been devised before the purchase agreement”</i> (Participant C).</p> <p>Organisation C: <i>“There was no planning for post-acquisition after the close. All detailed planning was carried out pre-acquisition. Very detailed planning was carried out between announcement and closing”</i> (Participant D).</p>

Table 9.10 Post-acquisition: In-case organisational analysis illustrative quotations

9.5.1 Implementation of pre-acquisition plans for post-acquisition integration: Cross-case analysis

All organisations generated integration plans in the pre-acquisition phase to a greater or lesser extent and these plans, post-acquisition, are used to carry out the immediate integration process (see Tables 9.9 and 9.10 for In-case analysis). Organisation C developed detailed plans in the pre-acquisition stage and the implementation of these plans was project managed from the outset. Key performance indicators were assigned to each task. Each plan was put onto a Gantt chart or a work stream flow chart in the case of organisation A and a person assigned responsibility for managing that integration process and for reporting on its progress daily, weekly, fortnightly, monthly, depending on the level of implementation required. In the case of the communication implementation for example, this was monitored daily, whereas the IT system change-over was reported upon weekly. This stage is all about monitoring and reporting on the progress of the integration implementation process and making modifications to the plans if such modifications are required.

9.5.2 Verification and review of pre-acquisition plans for post-acquisition integration: Cross-case analysis

Verify pre-acquisition plans for post-acquisition integration: Cross-case analysis

Organisations A and D carried out a verification review of the pre-acquisition plans immediately post-acquisition to establish their accuracy and to ascertain if the information that they contained was accurate in the cold light of day, post-acquisition.

Review of organisation: Cross-case analysis

In organisation A management also decided to carry out a full review of the acquisition organisation immediately after acquisition to establish how best to carry out the cost base restructuring including sales force restructuring and to complete the long-term integration plans (see Tables 9.9 and 9.10). All staff in the organisation were put on notice about their jobs and advised that it was only when the complete organisational review was finished that a decision regarding their employment would be made.

The reasoning behind this decision was that although the acquisition was in the same business, their business model was completely different to the acquiring organisation. In addition the acquisition had been side-lined for a number of years and the management team in organisation A wanted to consider the results of the delay. It is unique among the other In-case acquisitions and it is commendable as they wanted to do it right from the outset.

It could also be argued that it was an oversight on organisation C's part not to carry out a review of the organisation as can be seen from the quotation in the In-case analysis below;

“one of the reasons we didn't immediately push through some of the organisational changes in terms of peoples' reporting structures is we didn't really know how it was going to pan out either. And we hadn't really figured out how certain parts were going to fit with other parts of the organisation. That's probably if you're talking about where do you think more diligence might have been relevant, I think we should have stepped up that effort in our first six months, post deal”(participant B)

Note; one of the limitations regarding this phase of the post-acquisition integration process, is that participant B in organisation C requested that the answers to two questions pertaining to this phase be completely deleted from his interview. However two years post-acquisition it was announced in the press that organisation C would be declaring one third of its acquired work force to be redundant and the assumption is made here that organisation C would not have taken this decision without carrying out some form of post-acquisition review of the acquired organisation. However the failure to respond to the above questions is a limitation on the research as proof was not forthcoming by way of the interview process in supporting this assertion regarding a post-acquisition review (this limitation will be dealt with in Chapter 11 section 11.1).

Cultural review: Cross-case analysis

Organisation A also carried out a detailed appraisal of the organisational culture which had not been established in the pre-acquisition stage due to access restrictions. This assessment would assist those in the decision making process in deciding which staff members to retain when deciding on staff reductions. This aspect was not included in the post-acquisition integration phase in the conceptual model.

The cultural review undertaken in organisation A was quite extensive and involved much analysis and post-analysis planning in order to restore the organisation's reputation. It would appear that the cultural elements of the integration were greatly helped by the development of an organisational management structure diagram designed to facilitate the eventual running of the organisation and this informed the cultural integration mapping plans.

Hence it would seem logical to include a review of the organisation to verify pre-acquisition plans for post-acquisition integration, carry out a review of the organisation and a cultural assessment in the immediate post-acquisition integration stage.

9.5.3 Expand High-level pre-acquisition plans to low-level detail: Cross-case analysis

Organisation A did not develop detailed integration plans in the pre-acquisition period for a variety of reasons including time constraints and the desire to build flexibility in the process. The organisation also wished to empower the acquired staff to expand on the pre-acquisition plans and objectives and hence to get them to buy into the process. High-level plans were developed in the pre-acquisition stage based on a small number of strategic acquisition objectives, which could easily be modified post-acquisition once the staff had familiarised themselves with the reality of the actual situation i.e. after the verification and review process had taken place.

In addition post-acquisition plans were developed for new products and targets were set for growing the business. Hence specific growth plans were developed post-review for growth purposes as opposed to pure integration planning, but they did assist in various elements of integration planning and hence the flexibility that they had built into their plans facilitated this.

Note: The best approach maybe to plan as much as one possibly can in the pre-acquisition stage so that one is aware of all that's ahead for the negotiation process and hence one can resource the integration adequately. Care should be taken to ensure that plans are sufficiently flexible so that they can be adapted to the new realities post-acquisition if something arises that hadn't been considered before, because, as participant B of organisation A observed, "one shouldn't believe everything that one is told in the pre-acquisition negotiations".

9.5.4 Long-term integration

It would appear that long-term integration happens in a number of ways. The initial level of integration carried out by Organisations A and C was less than the level of long-term integration post-acquisition and this may be due to the fact that both organisations wanted to get a sense of the acquisition organisation.

Also, organisation A didn't develop any long-term integration plans. As discussed above it wanted to carry out a complete organisational and cultural review before it made its long-term integration decisions. The organisation subsequently declared 185 members of staff to be redundant after the review process had been complete. Organisation C on the other hand did not *per se* carry out a review of the organisation, but it did get a sense of the acquisition and two years post-acquisition it made the decision to declare a third of its staff to be redundant. This could be supported by the following quotation from participant D, "the target for integration was; you will not disrupt production and revenues in the short term, long-term; full integration of the organisation". Likewise, Organisation B decided to declare that one of the founding members of the acquisition to be redundant and some of its part-time staff suffered a similar fate six months post-acquisition. This is in accordance with the research carried out by Pablo, (1991 & 1994); Askenas, DeMonaco & Francis, (1998) and Ellis, (2000).

Hence the author advises that the parent organisation either implement or revise and implement long-term plans based on strategic acquisition objectives or outcomes from verification and review processes.

Summary of the post-acquisition integration process

The first event that needs to take place post-acquisition is the immediate implementation of the pre-acquisition plans for post-acquisition integration. This allows the integration process to get underway immediately. While this is happening, a review of these pre-acquisition plans needs to be carried to ascertain if the post-acquisition reality that the organisation finds itself in is as per the assumptions made in the pre-acquisition stage bearing in mind they may not have full access to all the information. It should also be noted that a review of the whole organisation may need to be undertaken depending on the plans developed for the organisation. Additionally as the hard cultural elements of the organisation may only have been feasible in the pre-acquisition stage, the acquiring organisation may ultimately want to carry out a complete cultural review,

as it is only through this that it can get a feel for the acquired organisation. Furthermore, the pre-acquisition plans may have not been developed in sufficient detail or sufficiently and the acquiring organisation may want to develop them to a greater detail now that they have some insight into the acquired organisation. All of these elements lead to a softer i.e. lighter level of integration at the early stage of the integration process.

Upon completion of these processes or at a stage where the acquiring organisation feels that it has a sufficient insight into the target organisation, it will generally revise the long-term plans and implement a deeper level of integration long-term. Again not all of these elements need to occur depending on the unique elements of the situation, but if they don't then the integration process may be put at risk.

9.5.5 Review and feedback: Cross-case analysis

Some of the main points taken from the review and feedback aspect of the research are outlined below by the author.

Review integration against strategic acquisition objectives: Cross-case analysis

As can be observed from the In-case analysis the key to success in all In-case organisations cases is to set a small number of strategic acquisition objectives at the start of the process and to implement them at every stage so that they are aligned throughout the complete acquisition integration process (see Table 9.11 and 9.12). This was achieved by carrying out various reviews throughout the integration stages against these strategic acquisition objectives. Participant D, of organisation C summarised this point concisely;

“Did we have a plan from A to B? We put in place governance structures. We thought out the pre-and the post-acquisition integration and how to measure success and we developed the plan around this. The plan was aligned throughout based on the objectives. These key objectives guided the process.”

Additionally the statements in the following quotation taken from an internal staff survey of organisation C support the alignment of objectives: “There were well defined integration objectives and plans. There was clear vision and direction given to all stakeholders and the integration executed on its defined strategy”.

Carry out a review at various stages: Cross-case analysis

In addition it would appear that a number of lessons were learned through the experience of the acquisition by organisation's A, B & D. Organisation's A and D have put in place new governance structures complete with non-executive directors to aid the review process. Further, it was observed in the data analysis aspect of this research through off the cuff remarks by participants that more reviews needed to be carried out during the integration process. The author ascertained from the lessons learnt section of the data analysis and he decided that it would be worthwhile at the end of each stage, to carry out a review against the strategic acquisition objectives. Hence if these objectives were met, it would give assurance that the integration strategy or plan was aligned throughout. The various review stages were included in the interim process model and they were subsequently verified by the participants as having taken place.

Feedback: Lessons learnt for modification of process model

It would appear that organisation A and C carried out a detailed review of their complete integration process and from this review they planned to make modifications to their future acquisition integration processes and would indeed modify their process models if they had them and later each modified its own on-going integration process (see Tables 9.11 and 9.12). However organisation B did it intuitively and organisation D stumbled upon it in the long-term integration process. It would appear that there is support for this phase in the process model as all organisations verified that it would be appropriate and indeed organisations A and C verified that it did indeed occur.

Summary of review and feedback

The author believes that field research has shown that a number of reviews need to be undertaken at various stages of the integration process and that these review processes need to be carried out in order to ensure that the strategic acquisition objectives will be met. Thus, in achieving these objectives at the various review stages, then the integration process is aligned throughout and acquiring organisation will achieve the goals that it set for the acquisition. Additionally post the implementation, a complete review needs to be conducted of the integration process and the lessons learnt from this process need to be incorporated into an updated complete acquisition integration process model or integration plan.

M&A process stages	Organisation A	Organisation B	Organisation C	Organisation D
<i>Review of acquisition against objectives</i>	Organisation A set three key objectives at the outset and tweaked these objectives (finer detail) as they went through the pre-planning to post-planning acquisition integration process and added one more objective post-acquisition. Overall the acquisition has been successful and achieved all the objectives set.	Organisation B set out to capture adjacent markets and offer its customers a complete suite of products (one total solution to their IT needs) as well as being revenue enhancing. These objectives have been met, if somewhat a little bit delayed time wise (possibly due to the 18 month Telco sales cycle (Participant A)).	Organisation C set 5 objectives for the acquisition and the detail of these would have been enhanced in the pre-acquisition planning process into short, medium and long-term objectives and implemented post-acquisition. Each objective has been achieved within the timeline set and the acquisition has been received favourably in the markets.	Organisation D set a number of objectives, but the key ones were financial. Initially these financial targets (2 – 3 years) were achieved. But subsequently the economy went into recession and this affected the acquisition target in a big way. Six years post-acquisition the numbers are evening off and slightly picking up. But as the Chinese would say, ‘it’s a long game’ (Participant A).
<i>Carry out a review at various stages</i>	Organisation A recognized that they could do things differently and improve the process. For this they have restructured their board and brought in some additional non-executive directors with acquisition experience. For the next acquisition more formalised reviews will be conducted and the non-executive directors will have greater input into this review process. The non-executives did ask questions of the acquisition (acquiring 4 times its size, did they have the manpower?)	Early on, once it was established that the acquisition offering could be modified to the network from the handheld device and that the acquisition could be acquired at a drastically reduced price, it was very much full steam ahead. In addition due to the fire sale nature of the process, there wasn’t much time to review processes and procedures.	Organisation C set up a steering committee to review all elements of the process, appointed a single point of control integration project manager and in addition brought in outside integration planning consultants to help with the planning of the acquisition integration. There was a large amount of reviews carried out at various stages and these were set against the acquisition objectives.	Similar to organisation A, organisation D have boosted their non-executive board with executives who have completed a number of high profile acquisitions. These executives will play a bigger role in the review process and will be called upon more for their input. A series of reviews were carried out during the acquisition process and these were always set against the acquisition objectives.
<i>Feedback: Lesson learnt for modification of process model</i>	Organisation A, have learned from their acquisition experience and have determined that for the next acquisition, they will carry out the process differently. They have now decided to target acquisitions as opposed to being caught on the back foot by an opportunity arising. And for this they are starting to carry out a number of background checks.	It was felt that the due diligence process and the planning stage were rushed and these would be done differently next acquisition. This is understandable as it was a fire sale. But a word of caution. Data rooms time frames are very short and pressurized and one may not be given sufficient time for planning the process.	A complete review was carried out with senior staff to appraise the integration process. The process was received fairly favourably and staff generally complemented the integration process. A number of suggestions were made to assist the long term integration process and possibly the next acquisition.	There was no learning and feedback process short term, but long term the acquiring organisation had to carry out a complete restructure of the parent and this forced a review of the acquisition. It was decided to bring it in-house (a financial decision). Some integration planning was carried out, but there was no cultural planning and some integration problems have arisen (maybe union V’s non-union).

Table 9.11 Post-acquisition: Review and Feedback In-case analysis

M&A Process stages	Illustrative quotes
Review of acquisition against objectives	<p>Organisation A: <i>“And we met the objectives within 10% which is highly impressive for acquisitions like that and we’re, so we had done a big deal and we’ve raised 50% of our market cap” (Participant A).</i></p> <p><i>“We got the people out, we got the technology done, we got the new products launched and here we are in terms of our numbers” (Participant A)</i></p> <p>Organisation C: <i>“The key measure is did the acquisition deliver what you said it would, based on your acquisition criteria and objectives. The parent delivered what it said it would as can be evidenced by presentations given to analysts. It is growing. Targets set for revenues, EBITDA, technology, products and R&D have all been achieved and have been received positively externally. These have all been achieved and external analysts continue to invest in the company and our stock price which has done well. Externally the commentary has been that the acquisition has been transformative” (Participant D).</i></p> <p>Organisation D: <i>“I would say yes in that is still the online property arm and strategically I think hugely important for to own a strong online entity in today’s market” (Participant B).</i></p>
Carry out a review at various stages	<p>Organisation A: <i>“At a very high-level, standing back saying, what’s this going to do to our organisation? You know, we are going to make it five times the size it is in terms of the number of’s. What effect do we think that is going to have, you know, not about can we move the technology, we have to do this, we have to do that and we need to do all this by such and such a day. That’s all great, that’s all the stuff that has to be done. What is the organisational change that this is going to bring?” (Participant A).</i></p> <p><i>“Historically our board..... It is now different. We now have three external Non-executive Directors. Our due diligence and implementation was all fine on the ground. But we didn’t stand back and say what does this mean for the group? We are going to be much bigger, greater” (Participant A).</i></p> <p>Organisation D: <i>“I think that the due diligence possibly missed and I only became aware of it afterwards, because I think the core, the footprint of the acquisition organisation is very similar to the acquiring organisation, in terms of very strong Dublin demographic. Right. And I think that the due diligence possibly missed the importance of the country and a possible weakness of the acquisition in the country, which became more and more apparent” (Participant C).</i></p>
Feedback: Lesson learnt for modification of process model	<p>Organisation A: <i>“Targeting an acquisition makes far more sense, than just going opportunistic and then setting what was a fairly tight timescale, that’s not really the way you want to do it” (Participant B).</i></p> <p>Organisation C: <i>“You know what, it’s kind of almost like, while there’s a lot, I mean, as soon as we stumbled out of this we moved into other stuff. And so the business is just extremely busy all the time, and so, you know, I don’t know that we ever went back again and just, kind of really, took an in-depth look. (Participant A).*</i></p>

Table 9.12 Post-acquisition: Review and feedback illustrative quotations

* Note: Organisation C, did carry out a post-acquisition survey on the integration process with senior staff, but did not carry out a full review of the organisation.

9.6 Summary

In the above section the author has outlined how the In-case and Cross-case analysis, the conceptual process model and the relevant literature, have led him to develop the complete acquisition integration process model, its stages and the criteria that are incorporated in each of those stages. Note: See Figure 9.11 which is the culmination of the results of the Cross-case analysis findings brought together to develop the complete acquisition integration process model. In the next chapter the author will describe and explain his final complete acquisition integration process model and he will include with it a review of the recently published relevant literature, the results from the internal and external validation studies, a literature re-appraisal and a synopsis of the complete acquisition integration process model.

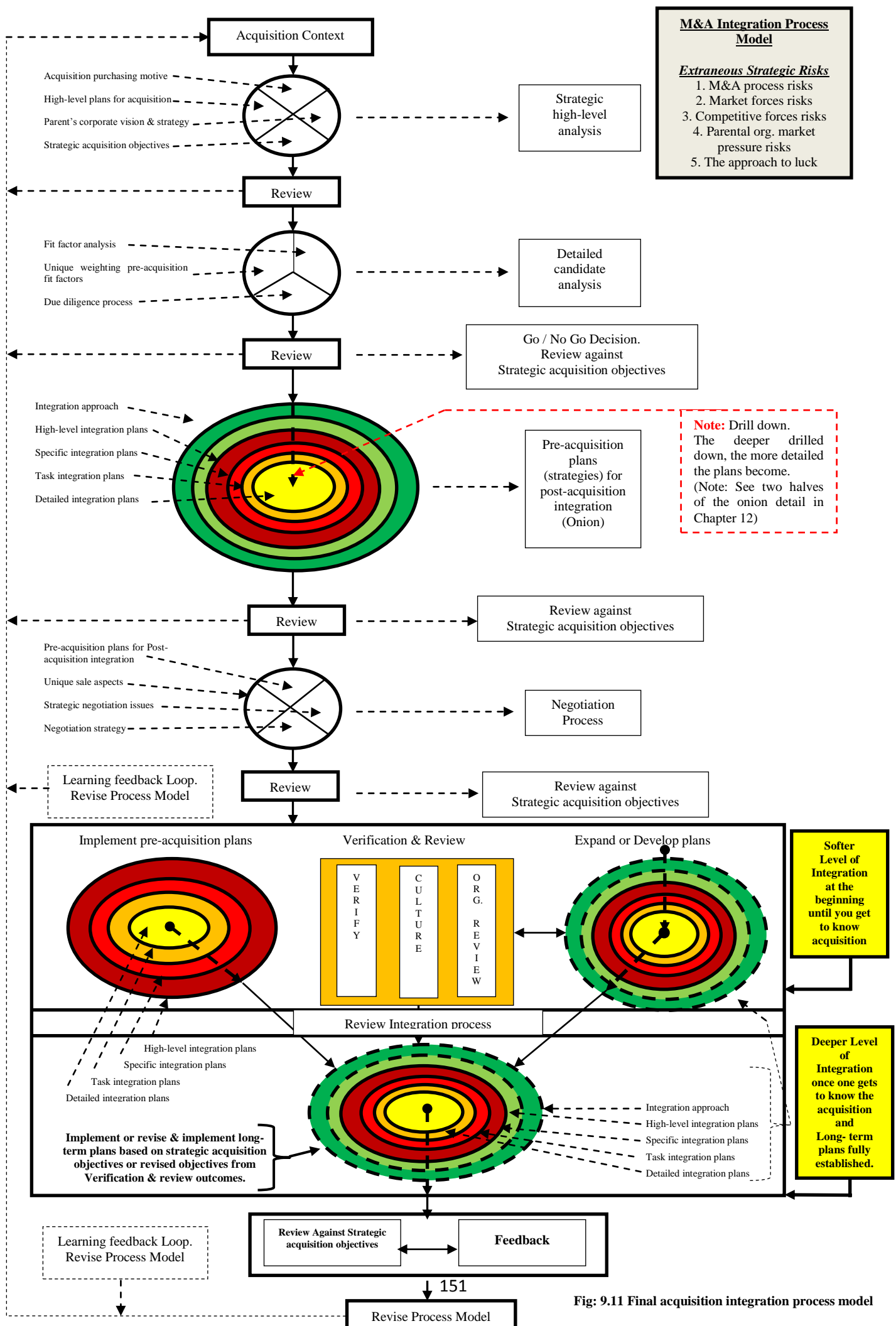


Fig: 9.11 Final acquisition integration process model

Chapter 10 Final complete acquisition integration process model development and synopsis.

In the previous chapter the author outlined how the In-case and Cross-case analyses in conjunction with the earlier literature review and conceptual model were used to develop a complete acquisition integration process model replete with appropriate stages and criteria. In this chapter the author will carry out a review of the recently published literature, discuss the results the internal and external validation studies carried out on the process model and In addition he will carry out a re-appraisal of the literature against the conceptual process model synopsis developed in Chapter 5 in light of the outcomes from this research. The outcome of this work will be to contextualise and to add small improvements to the development of the final complete acquisition integration process model. The author then combines all of these elements and develops a high-level synopsis of the final complete acquisition integration process model that is grounded in the literature and based on the reality of the acquisition integration process as per the four case organisations.

10.1 A review of the recently published relevant literature

The literature was revisited to ensure the relevance of the research findings and ground the study in the current literature base. No additional acquisition integration process models were uncovered; however, a comprehensive, holistic people integration process model was discovered in the South African Journal of Human Resource Management (Steynberg & Veldsman, 2011). Although, **related purely to the integration of people** in the integration process, it does have a very strong resemblance to the methodology and generic process model stages and findings uncovered in this research. On this basis, this work contributes more than most in this review of recently published literature, along with some papers which are of interest though not central to the present study.

The Steynberg & Veldsman (2011) research was qualitative and exploratory, as is the present study. The route to model development was slightly different in that the authors initially developed a practice-based model through grounded theory and then developed a conceptual model from the literature and both were combined to develop a best practice model. In this research, however the author developed a conceptual process model based on a comprehensive review of the M&A literature and then combined it with the outcomes of what happens in reality in M&A integrations, in order to create a

final process model. Subsequently both research studies requested the participants to verify the process models developed by them. In addition Steynberg & Veldsman (2011) asked two respondents to apply the model as a diagnostic framework to their real life acquisitions i.e. case studies in a descriptive story (retrospectively), whereas in this study an internal and external validation study was undertaken with the original participants and a number of new participants.

Both models are grounded in theory and best practice. It would appear that both final process models are complete and simple without being oversimplified. Both contain detailed descriptions and explanations of the integration process through a synopsis. In addition the content of each model is defined and both appear to have good practical application value (see internal and external validation survey to follow).

In addition to the above, Steynberg & Veldsman (2011) acknowledge that a number of external factors influence the integration process and they label them macro and industry trends. These trends are similar to the extraneous strategic risks discussed in this researcher's process model.

Additionally the visual representation of both models has similar elements, for example, the two parts of the Steynberg & Veldsman (2011) process model are similar to the research study here (see Figure 10.1). The top half is transformational and this entails the development of integration plans based on the strategic acquisition objectives and In addition the model also moves from high-level plans to detailed plans. The bottom half of the process model is transactional and this involves carrying out the integration process.

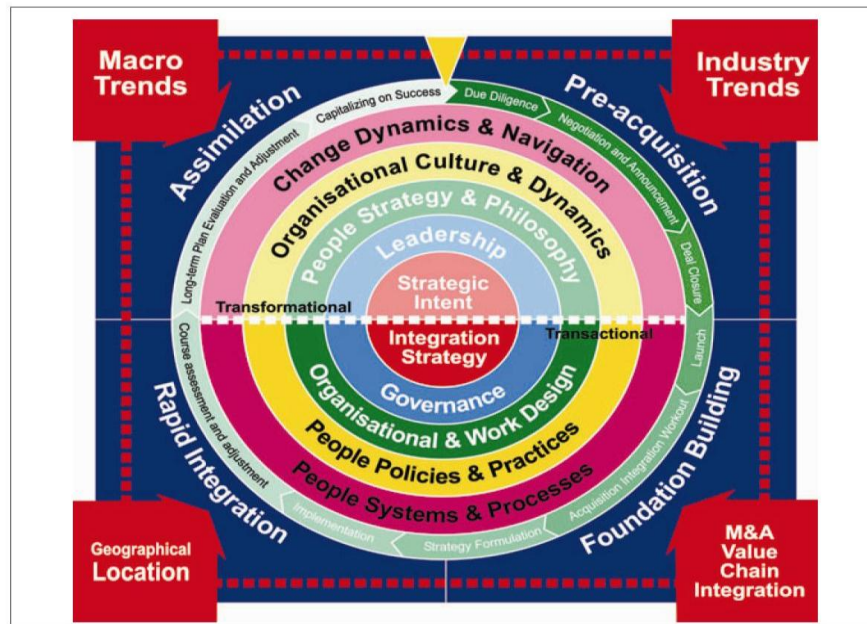


FIGURE 2: A comprehensive, holistic people integration process model (Model TP).

Figure: 10.1 A comprehensive, holistic people integration process model (Model TP) (Steynberg & Veldsman's, 2011)

However Steynberg & Veldsman's (2011) process model has a "cascading, sequential nature" (p.37), where one works from the 'inside out'. "The core creates the context for the next layer and so forth. A former layer thus forms the foundation for a later" (p.37). This is different to the process model developed here by the present author, in that this process model works from the outside i.e. integration approach/high-level plans into the core i.e. detailed plans, and down through the core and on out to the outside, whilst carrying out the integration and monitoring.

Furthermore, Steynberg & Veldsman's (2011) model covers part of the overall M&A process and is primarily related to what has been called cultural planning and integration in this study, and hence needs to be considered for the model developed for this research.

However there are a number of limitations noted in Steynberg & Veldsman's (2011) research, which could equally apply to the acquisition integration process model developed in this study, in that their own people "process model is a strategic, simplified representation of the (sic *actual*) people integration process" (ibid, p.41). Equally it could be argued that this study's process model is an attempt by this researcher to synthesise the complexity of the M&A integration process into a strategic, simplified model. Furthermore, the "model appears very simple, but the wrong application mind-set can cause failure" (ibid, p.41), as the "model is in danger of being

applied mechanistically and linearly in practice, with an incorrect mind-set, which will significantly heighten the probability of people integration failure” (ibid, p.41). Similarly, in this case, it is not recommended that the complete acquisition integration process model be followed in a slavish, literal fashion, but rather that each acquisition be treated uniquely and that process parameters may be expected to vary considerably from integration-to-integration. Finally, “the model was never applied in a full-scale application in a number of real life M&As”, as is the case with the complete acquisition integration process model.

Additionally Steynberg & Veldsman (2011), in developing their comprehensive holistic people integration process model, did not acknowledge the work of Askenas, DeMonaco & Francis (1998). Their holistic model (see Figure 10.1) is based on the foundations of Askenas, DeMonaco & Francis’s (1998) Pathfinder model: *The wheel of fortune* (as discussed in Section 3.2.5, plus see Figure 3.4). The two outer layers of their onion model seem to draw heavily from the Path Finder model.

In addition to the above Steynberg & Veldsman (2011) decided that there are four phases to the integration process. These are; Phase 1: strategic intent, Phase 2: pre-start, Phase 3: integration/transition and Phase 4: sustained renewal. However the author found in further literature research that there is no uniform agreement on either the number of phases in the integration process or indeed what they were called, as Burgelman & McKinney (2005) also found there to be four phases to the integration process, but these were described as being; Phase 1: formulating the integration logic and performance goals, Phase 2: creating the integration plan, Phase 3: executing operational integration (short-term performance) and Phase 4: executing strategic integration (long-term performance).

Similarly, Crosby et al. (2006) also believed there to be four phases, but again they give them different descriptions; Phase 1: identify, Phase 2: evaluate, Phase 3: execute and Phase 4: harvest. On the other hand Vester (2002) believes there to be six stages, being - Phase 1: analysis and due diligence, Phase 2: pre-announcement joint integration planning, Phase3: Day 1 execution, Phase 4: actual integration, Phase 5: 100-day assessment and Phase 6: on-going integration.

In this study seven stages are proposed and these are; Phase 1: acquisition context, Phase 2: strategic high-level analysis, Phase 3: detailed candidate analysis, Phase 4: pre-acquisition planning for post-acquisition integration, Phase 5: negotiation, Phase 6:

post-acquisition implementation planning, verification & review and development of new plans and Phase 7: long-term planning. It is not proposed to change these, but it is both interesting and enlightening to contrast these phases with the closest published model. Burgelman & McKinney's (2005) proposed four phases, where their first phase of formulating the integration logic and performance goals could incorporate the first three phases of the model developed in this research (i.e. acquisition context, strategic high-level analysis and detailed candidate analysis), with their Phase 2 then being; creating the integration plan (i.e. equivalent to pre-acquisition planning for post-acquisition integration). However Burgelman & McKinney's (2005) Phase 3 would need to be expanded upon, as the field research here found there to be more elements (such as immediate post-acquisition integration, verification & review and/or expand on/develop high-level pre-acquisition plans) to immediate post-acquisition integration. Phase 4 would be unchanged.

Subsequent to reviewing the recently published literature a validation study was undertaken with the internal participants and by a number of external participants in order to appraise and assess the usefulness of the final process model and the outcomes of this survey will be considered by the author in the following section.

10.2 Results of both an internal and external validation study of the final process model

An internal validation study was undertaken with each of the case study participants and in addition an external validation study was undertaken with 8 participants each of whom was a senior executive who was not involved in the main study but who had completed acquisitions in the past (See Table 10.1 for Demographic details of external validation participants).

Demographic	Sector	Job Title	Acquisition experience
Participant 1	I.T.	C.E.O.	5 acquisitions
Participant 2	Insurance	Business Development Director	5 acquisitions
Participant 3	Insurance	C.F.O.	4 acquisitions
Participant 4	M&A Consultancy	Senior Partner	Numerous
Participant 5	Consultancy	Owner	Numerous
Participant 6	Financial	Business Development Director	3 acquisitions
Participant 7	I.T.	Head of I.T. Solutions, Europe/South America	2 acquisitions
Participant 8	Financial	C.F.O.	2 acquisitions

Table 10.1 Demographic details of external validation participants

In terms of both validation studies, the model was evaluated adopting the Gregor (2006) approach using three criteria; usefulness, distinctiveness and simplicity (see Appendix M). Additionally suggested changes were also requested for each stage / criteria of the overall complete acquisition integration process model. In addition each participant in the validation process was asked three extra questions, not covered by Gregor, relating to the completeness of the model, its practicality and finally the willingness of the participant being questioned to use the model in future acquisitions.

Each of the participants acknowledged that cultural fit and organisational fit were generally the poor relation of strategic and financial fit, but that they should play a bigger role in integration planning, as generally these elements are where the integration problems are encountered. Hence placing a greater emphasis on them as proposed in the model will force management executives to review their practices and to be realistic about what actually happens in the integration process.

The negotiation phase is key to the success of the acquisition process and this is where it is imperative to have integration plans in place. By developing the high-level plans in advance of this stage, one is going into the negotiation prepared and knowing their purchase price limitations. It is also imperative that there is a strong team involved in the process and that it be composed of persons who have expertise in fields such as finance, H.R., operations, strategy, etc. as otherwise there will be an unrealistic bias in the integration planning process towards the strategic and financial elements to the detriment of cultural and organisational elements. The senior executives believe that in order to ensure success, acquisitions should be project managed from their outset and accordingly that it is imperative that a project manager be included in the negotiation process on an equal footing with the other senior members of the management executive. In addition it was also suggested that as well as having the non-executives involved in the various review processes, that they should also be fully involved in the negotiation process which would help to prevent precipitous behaviour on the part of senior management anxious to achieve an acquisition at any cost.

All of these experienced executives agreed that communication is key to the success of an acquisition. This communication has to be succinct and management has to constantly explain the reasons for and the benefits of the acquisition during town-hall

visits, meet and greets', whilst walking the shop floor, and through speeches, web addresses and interviews.

Overall the model was well received and the participants felt that the model was a very good representation of the complete integration process. They believe it will challenge the thought processes of management teams on acquisition integration and force them to consider the complete integration process from the outset and hence compel them to be realistic in their approach to integration. In addition they believe that the model is practical and would be very useful to them in carrying out their planning and integration processes. The fact that a small number of objectives are aligned throughout the complete process is good for senior management as it keeps the integration focused, but it is also good for staff charged with implementing the integration as it keeps them focused on the objectives to be achieved.

10.3 Literature re-appraisal

This re-appraisal of the literature has been conducted in light of the findings generated from the field studies. It is based on a re-appraisal of the literature synthesis developed in Chapter 5 for the conceptual acquisition integration process model.

It was discovered in the field research that the background factors in the conceptual process model are an integral part of the integration process and these will be considered later. However there are a number of other background factors that also influence the integration process. One of these factors is the M&A process which was identified in the literature review, but was not included in the conceptual process model and was found to have the potential to greatly influence the integration process if it is not carefully managed, as was experienced by organisations A and D. This finding supports the M&A process risks as established by Jemison & Sitkin, (1986) and expanded upon by Pablo, (1991 & 1994); Ellis, (2000); Zollo & Singh, (2004) and Handler in 2006.

In the process model developed here, organisations need to examine the context of the acquisition i.e. targeting acquisitions or acquisition opportunity. In addition a series of high-level checks need to be carried out on the target acquisition before the acquiring organisation even considers carrying out a detailed analysis. This aspect was not in the

original conceptual process model, but is a factor that organisations currently consider at this early stage in the process. Therefore it will be included in the final process model.

In relation to the background factors developed in the conceptual process model i.e. the corporate vision, corporate strategy and acquisition motives, it was confirmed that these are indeed an intrinsic part of the acquisition integration process and management's evaluation of the target organisation. These factors form the basis of the strategic high-level analysis carried out by acquiring organisations in this study and therefore will now be a fundamental part of the integration process. This supports the studies carried out by Hinterhuber (2002), Jemison & Sitkin (1986), Lubatkin (1983) and Marsh (2005). However the strategic high-level analysis elements are not solely based on strategic, organisational and cultural fit elements of the target organisation as was proposed in the conceptual model. In reality there are a whole host of other elements to be considered and these will be discussed in this re-appraisal.

In the case of the acquisition strategy developed by Jemison & Sitkin (1986) and expanded upon by Pablo (1991 & 1994) and Ellis (2000), it was found in the case studies in this research that organisations currently develop a series of high-level strategic acquisition objectives i.e. four or five to guide the integration process. These objectives could be termed acquisition strategy criteria as per the conceptual process model. The development of these objectives is slightly different to the literature, but it was also discovered that these objectives are aligned throughout the complete integration process in order to achieve integration success. In organisation C, an integration plan was developed around a number of objectives and participant A observed that the integration lacked the focus that an acquisition strategy would give. In addition to the above, but missing from the conceptual process model was the development of high-level plans for the acquisition. These plans were all derived from the acquisition's unique motives, which is in-line with research carried out by Howell, (1970); Jemison & Sitkin, (1986); Pablo, (1991) and Ellis, (2000).

Hence these four factors - acquisition purchasing motive, parent's corporate vision and strategy, high-level plans and strategic acquisition objectives- will make-up the strategic high-level analysis carried out by senior management at the start of the integration process, as shown in Figure 10.2.

The next phase of the conceptual process model involves candidate selection. In the final process model, this stage incorporates various other elements of the conceptual process model, specifically the acquisition strategy criteria - unique weighting of strategic, organisational and cultural fit factors - and the due diligence process. Indeed, it was established that acquiring organisations, at this early stage in the candidate analysis process, predominantly concentrate on the strategic and financial fit elements of the target organisation. This supports research carried out by Kitching in 1967 and 1974. In addition it was also ascertained that the lack of organisational and cultural fit at this stage in the process may begin to prejudice the acquiring organisation against the acquisition. However these factors won't be an influential reason for carrying out the acquisition. Note: This finding needs to be qualified by the fact that each acquisition is unique and that what was appropriate for these case sample organisations may not be the same for other organisations or acquisition.

Additionally it was discovered that there are a number of phases in the due diligence process that were not outlined in conceptual process model. This process moves from high-level analysis to very detailed analysis. In the conceptual process model the author suggested that this due diligence investigation process should be carried out against the strategic, organisational and cultural critical success factors. However in reality there are a number of other elements that need to be examined; chief among these again being the financial factors. In addition it was discovered that organisations may only be given the opportunity to assess the hard cultural elements i.e. Tupe, salary, pensions, bonus, etc. and not the soft cultural fit elements as they may not have the time to assess these issues of the target organisation, but again, as each acquisition is unique these need to be examined on an acquisition-by-acquisition basis. But Epstein (2005) and Papadakis (2007) advocate a thorough review of each of these fit factors i.e. strategic, organisational and cultural fit. The outcome of the due diligence process is currently a detailed business plan with a series of strategic acquisition objectives, which are used to develop integration plans. This is in line with Lynch & Lind, (2002) and Perry & Herd's (2004) findings. However it is the opposite of Gates and Very's (2003) findings regarding European acquisitions, i.e. that they don't use the information from the due diligence process to plan their acquisitions, as the field study shows that the case organisations did use these elements to plan the integration.

The next stage in the conceptual process model created by the author was the development of a pre-acquisition strategy, which sought to identify goals, time-lines i.e. short-term, appropriate organisational and cultural tasks, followed by the development of organisational and cultural critical success fit factors. In essence, each of these elements is carried out in reality, but not necessarily in this order. The most important decision to be made at this stage revolves around the integration approach, as this determines the level of integration to be carried out. In the conceptual process model developed earlier, this integration approach was located in the post-acquisition stage. However each case study organisation identified this as key to their integration planning process. This finding is supported by Zaheer, Castaner & Souder (2013) who found that the integration approach drives the implementation strategy.

The conceptual process model does not go into as much detail in relation to the planning elements and hence this issue will be addressed in the final model. The field studies have shown that the development of the integration plans are based around the achievement of the strategic acquisition objectives i.e. alignment throughout and this is supported by Venema (2012), who found that integration plans should be designed to achieve alignment with the strategic acquisition objectives. But, the original model was based around achieving the acquisition strategy. However it was found in organisation C that what may be missing from the plans/objectives is the aspiration that a strategy will bring.

The new model moves from the integration approach i.e. standalone, partial or full-integration to high-level integration planning i.e. short, medium and long-term plans, whereas the conceptual process model only dealt with developing short-term plans at this stage i.e. pre-acquisition. Subsequently organisations look at developing specific plans, while in the initial model there is no mention of these plans. Next is the task integration planning and the new model suggests that these plans are determined objective-by-objective and that they are broken into department-by-department and interdepartmental tasks. These plans also involve developing strategic, organisational and cultural tasks, whereas the original model only involved devising appropriate organisational and cultural tasks. Subsequent to this then is the development of detailed plans incorporating S.M.A.R.T. objectives. In the conceptual model the author only considered developing goals, milestones and performance indicators, whereas in the new model the author examines the development of integration plans on Gantt charts,

with specific tasks, key performance indicators, a person assigned the responsibility of managing each task, a risk assessment of the task and a time-line. Hence the new model is more practical and detailed. The development of this level of detail is supported by Schroeder (2012) who found that the lack of detailed plans, such as organisations B and D in this work was identified as representing risks to a successful merger. In addition it was also ascertained here that the communication process was of paramount importance as organisations A and C developed very detailed communication plans, in this phase aspect (Mirvis & Marks, 2001 & 2011). The importance of this element cannot be emphasised enough.

Post-acquisition, the original model process model developed by the author advised that the short-term pre-acquisition plans be implemented while the organisation carries out a review of the acquisition. Upon completion of this review the organisation then refines and / or develops its long-term plans, hence a two stage process. The author recommends that each element is continuously monitored and controlled during the integration process. Subsequent to this the author advocates that each organisation reappraises and reviews the integration process (Roberts, Wallace & Moles, 2003).

The author found that each of these elements again happens in reality, but they are expanded upon and this expansion will now be discussed. Pre-acquisition plans are implemented and monitored. A verification and review process may also be undertaken, where the organisation verifies its pre-acquisition plans, carries out a review of the organisation and assesses the cultural elements of the organisation i.e. the organisation may not have had the opportunity in the pre-acquisition stage to assess the culture of the target organisation sufficiently. In addition the author found that due possibly to pre-acquisition time constraints, the organisation may not have had the time to develop its integration plans sufficiently and hence it will expand these plans and develop them in greater detail. But the author discovered in the field research that a lighter level of integration was implemented at this stage (Askenas, DeMonaco & Francis, (1998) and Ellis, (2000)). After these review processes, then the long-term plans are expanded upon, once the organisation has got to know the acquisition and this entails a deeper level of integration (Askenas, DeMonaco & Francis, (1998) and Ellis, (2000)). Burgelman & McKinney (2005) called this stage strategic integration.

In the new model, like the old one, the author incorporates a re-appraisal and review of the integration process, but in the instance this review is carried out to ascertain if the

strategic acquisition objectives where achieved and if any modifications are required to the process model. This learning from the acquisition process is supported by Marks & Mirvis (2011) who advocate that more needs to be done in learning from the integration process. In addition Hakim's (conceptual paper, Nov. 2012) study on learning from acquisitions, found that considering pre- and post-acquisition activities in acquisition studies helps to improve performance in subsequent acquisitions.

Like the original process model this model advocates that the integration be project managed from the outset and support for this is provided by Knilans (2009) who found that project management should be used throughout the complete M&A integration process. In addition Heimeriks, Schijven & Gates (2012) believe that guidance is required to build effective integration capabilities and the author hopes that this study will help to achieve this end.

10.4 High-level synopsis of final complete acquisition integration process model

The following final complete acquisition integration process model synopsis has been developed by the author following field research, a review of the recently published relevant literature and a literature re-appraisal. See Figure 10.2 for a simplified diagram representing the final acquisition integration process model, complete with stages and criteria in those stages (parts 1 to 4). **See pdf attached of complete process model.**

Howell, (1970); Jemison & Sitkin, (1986 a, b); Pablo, (1991); Ellis, (2000) held that each acquisition is unique and needs to be project managed from the outset (Knilans, 2009) in order to increase the chances of integration success. In addition there are a number of **background factors i.e. extraneous strategic risks** that may potentially arise. These require monitoring and project management so as not to influence the integration.

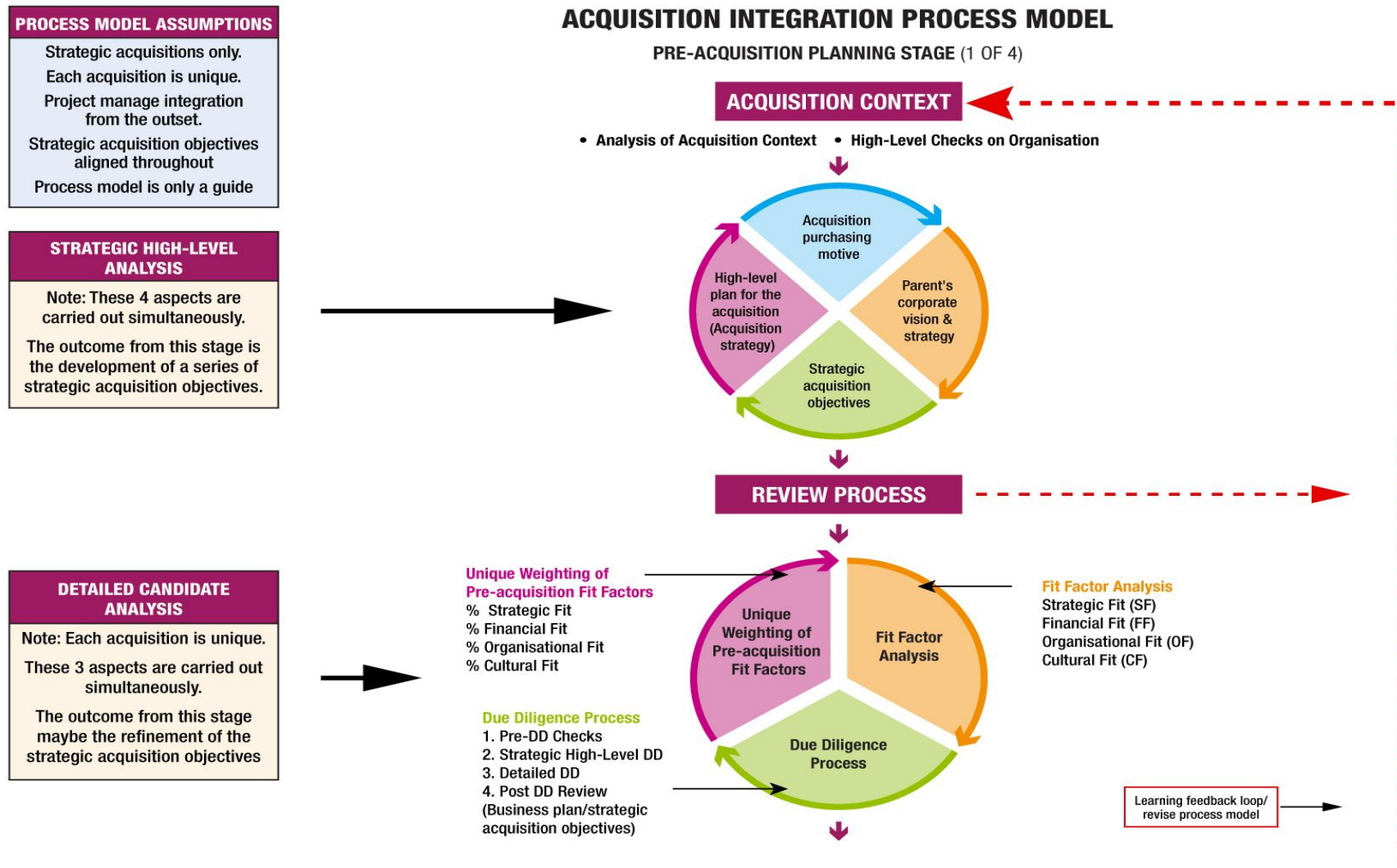


Figure 10.2 Final complete acquisition integration process model (part 1 of 4)

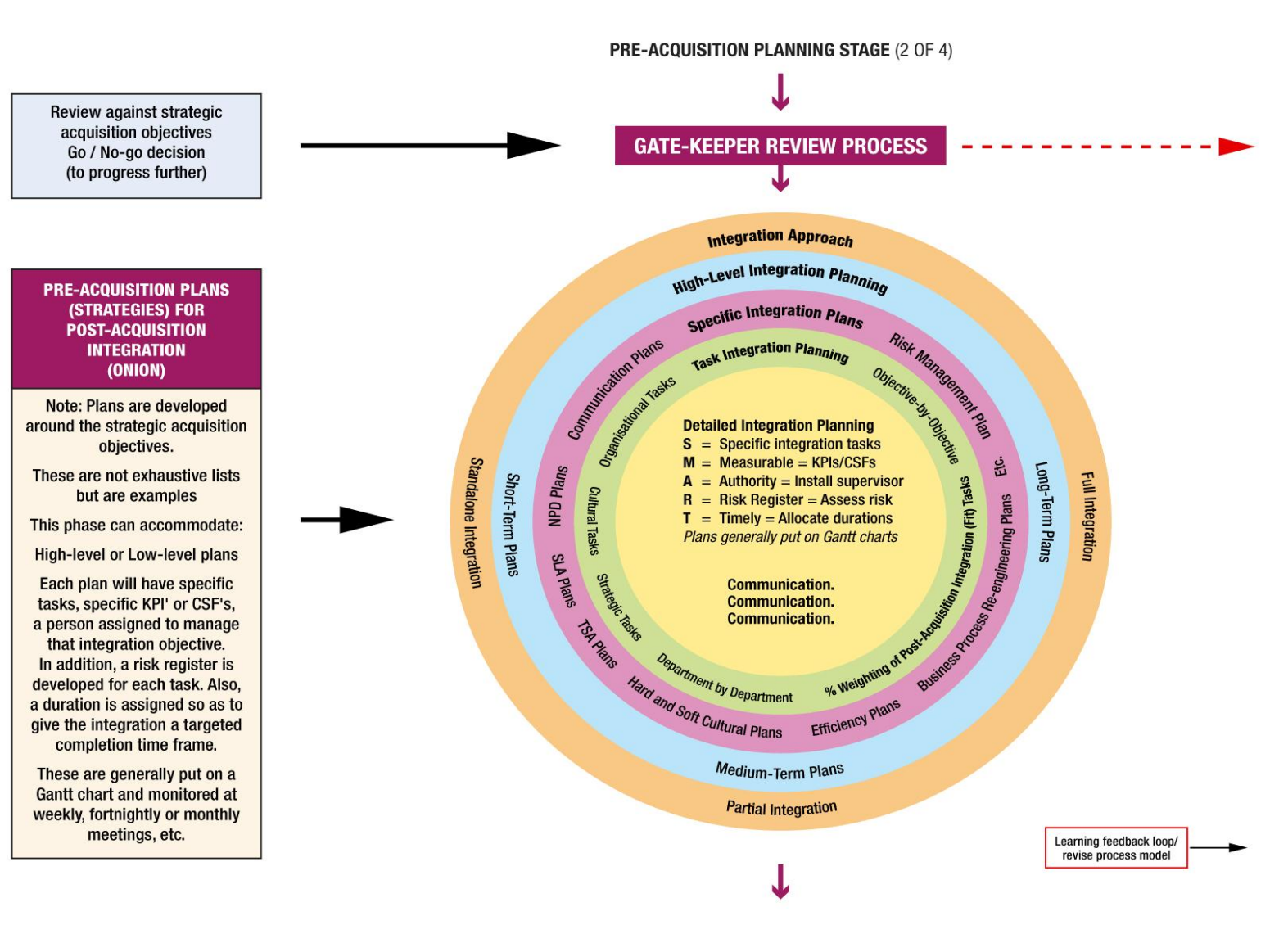


Figure 10.2 Final complete acquisition integration process model (part 2 of 4)

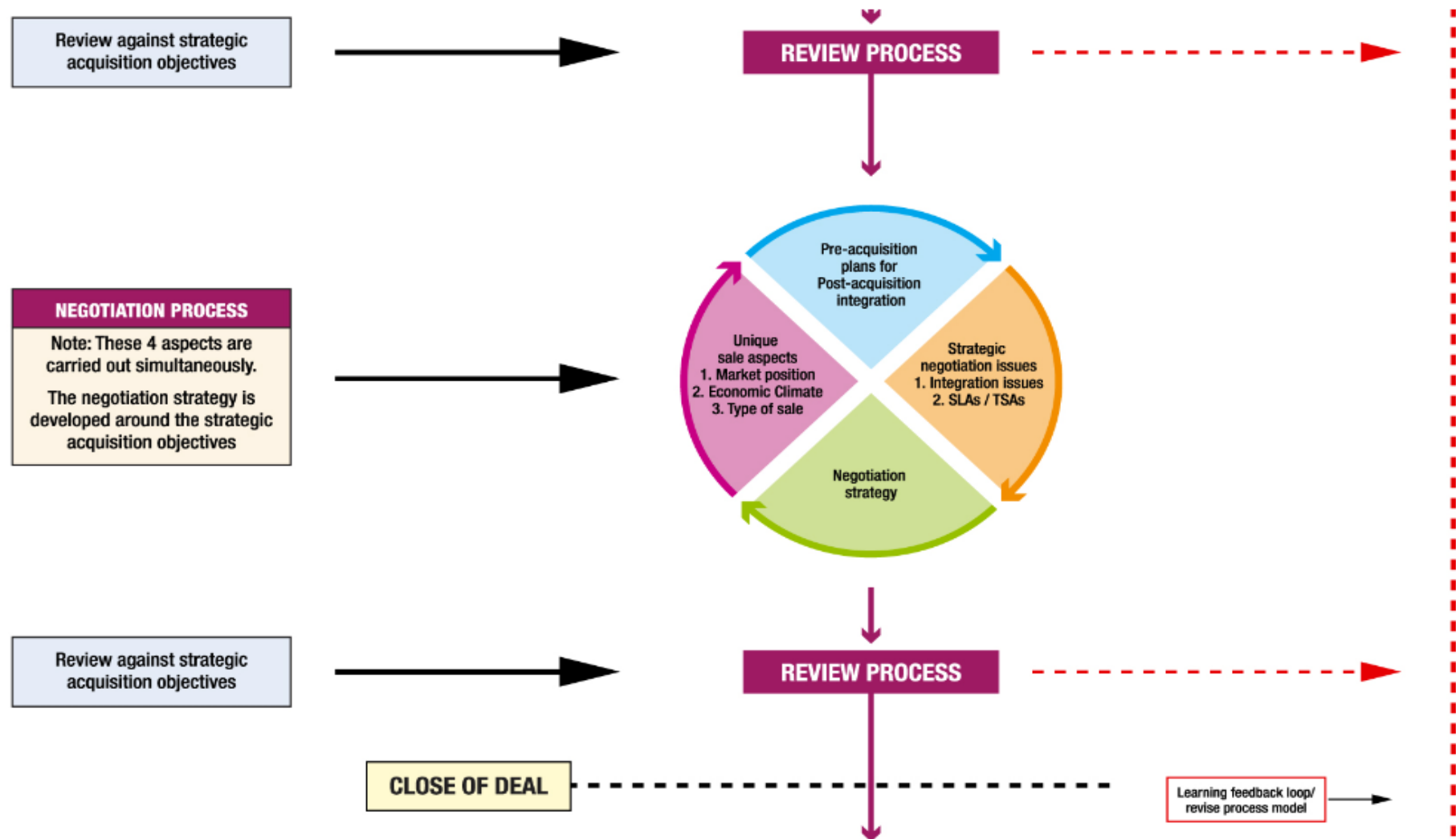


Figure 10.2 Final complete acquisition integration process model (part 3 of 4)

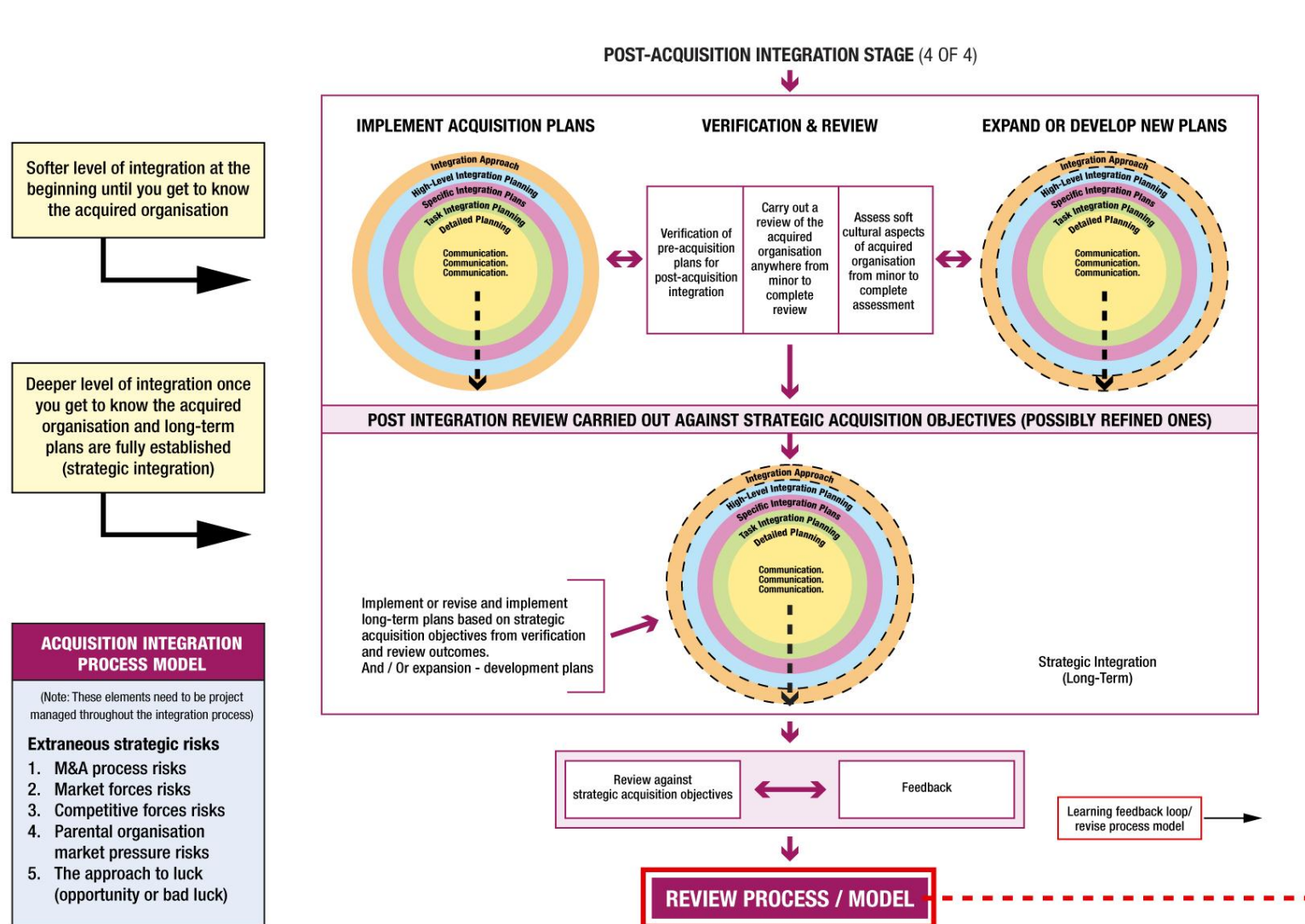


Figure 10.2 Final complete acquisition integration process model (part 4 of 4)

These consist of the M&A process risks (Jemison & Sitkin, (1986); Pablo, (1991 & 1994); Ellis (2000)), market forces risks, competitive forces' risks, parental organisation market pressure risks and the approach to luck adopted. Hence the M&A integration process needs to be adaptable to these factors.

Furthermore, it has been established that organisations need to develop process models (Howell, (1970); Kim, (1998)) of their unique integration processes in the light of their objectives (Venema, 2012) in order to increase their chances of integration success. Note: The following pre-acquisition stages may be carried out simultaneously and not in the linear fashion as presented in Figure 10.2 which may be necessary for a number of reasons including the competitive M&A process, the time constraints of the data room analysis or the confidentiality elements of the investigation process.

The first stage in the finalised complete acquisition integration process model is the investigation of the **acquisition context** in order to decide whether the acquiring organisation is actively targeting an acquisition or whether the acquisition is opportunistic. A series of very high-level checks should be carried out to assess suitability. Is the target organisation open to the acquisition opportunity or in the case of an opportunistic acquisition, what is the climate in which the acquisition is put up for sale i.e. competition or fire sale? Generally these background checks i.e. vetting processes are carried out in advance of the appointment of the senior executive team which can then be briefed on the type of sale being considered, be it a fire or other type of sale which will have implications for the integration planning process. Additionally the acquiring organisation should carry out a series of background checks to ascertain the sale context and to build up a picture of the target organisation. The information necessary may be gathered from publicly available financial information, product information, newspaper articles and any other source that may yield a good insight into the target organisation.

The next stage in the process involves senior management in carrying out a **strategic high-level analysis** of the unique acquisition. This involves a number of tasks such as determining the acquisition purchasing motive (Lubatkin, (1983); Cote, Langelly and Pasquero, (2007)), reviewing the corporate vision and strategy of the parent organisation (Hinterhuber, (2002); Marsh, (2005)), developing a high-level plan or acquisition strategy (Kitching, (1967); Rappaport, (1979); Pablo, (1994); Mirvis &

Marks, (2001) and McDonald, Coultard & de Lange, (2005)) for the acquisition based on its uniqueness and from this establishing a number of strategic acquisition objectives that are aligned throughout (Venema, 2012) the integration process. This analysis stage generally happens simultaneously and involves the senior executive team developing the strategic acquisition objectives.

At the conclusion of the analysis stage of the process **a review of the acquisition** potential is carried out with the governance board and non-executives. This review process is used as a “sanity check” when a number of checks are conducted to reassess the financial soundness of the target organisation and the feasibility of the proposed acquisition and should the results of such checks be positive the parent organisation may proceed to the next stage of analysis.

At this stage a **detailed candidate analysis** is carried out. This evaluation is based on the strategic acquisition objectives developed earlier and is usually carried out in a data room. Again this analysis involves a number of elements that happen simultaneously and these include an assessment of the unique weighting of the pre-acquisition fit factors (Kitching, (1967; Rappaport, (1979; Mirvis & Marks, (2001); Pablo, (1994) and McDonald, Coultard & de Lange, (2005)), an analysis of the strategic, organisational and cultural fit factors (Jemison & Sitkin, (1986); Pablo, (1994)) and the due diligence process (Kim, (1998); Lynch & Lind, (2002) and Perry & Herd, (2004)). As each acquisition is unique (Howell, (1970); Jemison & Sitkin, (1986 a, b); Pablo, (1991); Ellis, (2000)), then this uniqueness needs to be considered. This involves determining the unique weighting of pre-acquisition fit factors i.e. most important criteria for the acquisition and additionally an examination of the strategic, organisational and cultural fit elements of the acquisition in conjunction with the due diligence process. These assessments are designed to assist in achieving the strategic acquisition objectives. Typically, organisations at this stage assess the strategic and financial fit (Kitching 1967 & 1974) of the acquisition and these are given the highest weighting. However as each acquisition is unique, this may differ from acquisition to acquisition. It should also be noted that if the organisational and cultural fit are not present, the acquiring organisation may not wish to proceed with the acquisition so as thorough a review as possible should be carried out on all fit factors (Epstein, (2005) and Papadakis, (2007)).

These assessments are carried out simultaneously with the due diligence process and again are carried out in order to ensure that the strategic acquisition objectives can be met. An assessment needs to be carried out at the end of each due diligence phase, to ascertain if the parent organisation wishes to proceed to the next phase of investigation, as it becomes more costly as it advances. The first stage is a series of pre-due diligence checks. This is in addition to the earlier acquisition context checks. This may involve gathering as much background information on the target organisation from suppliers and is followed by a strategic high-level due diligence assessment by senior management of the financial elements of the target organisation and the strategies for its acquisition.

If management chooses to progress to the next phase, they may bring in outside consultants to carry out the detailed due diligence investigations of the accounts, or they may have sufficient resources in-house to do this themselves. In any case these investigations need to be closely project managed. It must also be noted, that it may not be feasible to assess the soft cultural elements of the process at this stage due to access restrictions or time constraints and these assessments may have to be left until the post-acquisition stage. However the parent organisation should try to gain access to as much organisational and cultural information as possible (Epstein, (2005) and Papadakis, (2007)) for obviously to proceed further without such information would be foolhardy. Upon completion of the detailed due diligence assessments, a post-due diligence review is carried out by senior management and a detailed business plan is developed, possibly complete with refined strategic acquisition objectives. This information will subsequently be used to plan the integration process (Lynch & Lind, (2002) and Perry & Herd, (2004)).

Subsequent to this detailed candidate analysis a review of the acquisition is carried out i.e. gate keeper review process. Senior management, in conjunction with the governance board and non-executive directors, evaluate the acquisition against the strategic acquisition objectives. This “sanity check” is put in place in order to encourage caution in the senior management team (Jemison & Sitkin, (1986); Pablo, (1991 & 1994); Ellis (2000)). Further assessments are carried to ascertain the type and extent of funding required for the acquisition and if a decision to proceed further is then made, then the integration planning process should commence.

The next stage in the process is **the development of pre-acquisition plans for post-acquisition integration**. The development of these plans is designed to achieve the original or refined strategic acquisition objectives. In addition the level of planning decided upon by each organisation will depend upon its objectives which will be unique to that organisation. Some organisations may wish to have very detailed low-level plans; while others, maybe due to time constraints, can only develop high-level plans i.e. outline plans. In addition some organisations may want to build flexibility into the post-acquisition integration process, to empower and motivate their staff and hence will leave the detailed planning to the post-acquisition stage.

Whatever the decision, the pre-acquisition planning ‘onion’ can accommodate these requirements (see Figure 10.2). The first decision that needs to be made involves deciding upon the **integration approach** to be adopted (Lynch & Lind, (2002); Birkinshaw, Bresman & Hakanson, (2000); Hubbard, (1997); Pablo, (1994); Schweiger et al., (1993); Haspeslagh & Jemison, (1991); Nahavandi & Malekzadeh, (1988); Shrivastava, (1986) and Zaheer, Castaner & Souder, (2013)) and it should be noted that whatever decision is made, be it standalone, partial or full integration, will have implications for integration planning. The next stage involves management developing short, medium and long-term **high-level integration plans** for the acquisition, which are then expanded into **specific integration plans** which will be tailored to meet the unique needs of the parent organisation arising from the acquisition.

Subsequent to the development of these plans, a series of **task integration plans** i.e. dealing with organisational, cultural and strategic tasks are devised on a function-by-function or inter-functional basis i.e. interdepartmental basis around the strategic acquisition objectives. Note: The order of specific integration plans and task integration plans may be changed depending on each organisation’s preference or indeed organisations may dovetail these plans into one overall plan. Additionally organisations need to **assess the organisational, cultural and strategic integration fit weighting**. This involves making an assessment on the level of integration planning required for each and at the earlier **high-level strategic analysis stage**, strategic and financial fit (Kitching 1967 & 1974) usually were weighted to the fore as it was a ‘go/no-go’ decision. But in this stage, the level of actual integration is being decided (Jemison & Sitkin, (1986); Pablo, (1994) and Ellis, (2000)) upon and this normally involves more cultural and organisation tasks being carried out. The importance of these elements is

frequently underestimated or ignored by senior management members who only discover post-acquisition that they have not been sufficiently resourced. Management needs to be realistic in its weighting assessment and that plans need to be drawn up for strategic tasks.

Following on from this **detailed plans** (Schroder, 2012) involving either high-level or low-level detail, depending on an organisation's circumstances/preference are developed around **S.M.A.R.T** criteria. These typically are developed on project management software in the shape of a Gantt chart. A **specific** objective i.e. W.B.S. line item is devised, that is assigned a **measurable** element i.e. K.P.I. or C.S.F. A person i.e. **authority** figure is given responsibility for this task and the **risk** associated with that task is identified i.e. green, orange or red risk or impact by likelihood, so that the objective can be monitored in the risk management/mitigation process. In addition a duration i.e. **time** element is set for the carrying out of each task. Core to the planning process is communication (Mirvis and Marks, 2001) and this has been found to be the principle reason for the integration process running smoothly especially as the soft cultural elements may not be fully assessed in the pre-acquisition stage and as it is at the heart of all planning processes it is at the core of this process model.

Post this detailed planning stage, a **review** is then conducted against the strategic acquisition objectives to assess alignment of the integration plans for the acquisition. This again is conducted by the governance board and non-executive directors and is another 'sanity check' to ensure that the integration plans are realistic and that sufficient resources have been assigned for planned tasks.

Upon completion of the pre-acquisition planning stage, the detailed **negotiation process** phase commences. The tasks carried out by the senior management team during this phase include - the pre-acquisition plans for post-acquisition integration, the unique sale elements, the strategic negotiation issues and the devising of a negotiation strategy. These are all carried out simultaneously and are targeted at achieving the strategic acquisition objectives.

Strategic negotiation issues sometimes arise because TSA's or SLA's dictate the integration planning process and may require special warranties. Additionally the unique sale elements incorporate the acquisition contextual factors, as well as an

organisation's market position. This is important as sometimes an organisation may be the only suitable acquirer, a fact it should be aware of as it may give an advantage in the negotiations. Similarly an acquiring organisation needs to be aware of the economic climate, so that it does not overextend itself financially in going outside the negotiation limits set in the pre-acquisition plans. Negotiating beyond these limits may have repercussions for the integration process and the achievement of the strategic acquisition objectives. In the external validation survey, it was stressed that a diverse team needs to be assembled from the outset of the integration planning process and this will ensure that organisational and cultural elements are taken into account. It is also imperative that the views of each of these members are heard and considered and it was suggested that non-executive Directors be involved in the negotiation process to ensure that the senior management is well advised before making its decisions.

Upon successfully negotiating the purchase of the acquisition a review is conducted to ensure that the outcome from the negotiations will meet the strategic acquisition objectives and hence there is complete alignment of the strategic acquisition objectives (Venema, 2012) throughout the complete pre-acquisition integration process.

Following the successful negotiation of the acquisition, the target acquisition is now acquired, the deal signed (i.e. closed) and the integration process can commence in earnest. There are **three major elements to this post-acquisition integration phase**. These include immediate implementation of pre-acquisition plans for post-acquisition integration, verification and review, in addition to, the expansion of the low-level pre-acquisition plans into detailed post-acquisition integration plans or even the development of new plans. These phases of the process happen simultaneously and the outcomes of each aspect may have different implications for each of the individual elements. Hence flexibility is required in post-acquisition integration and good project management practices need to be put in place to manage this integration process.

The **detailed pre-acquisition integration plans are implemented** through the S.M.A.R.T. criteria which are implemented and monitored on a daily, weekly, fortnightly or monthly basis, depending on their priority. This integration implementation stage is the reverse of that found in the pre-acquisition integration onion, where one drilled in (or down) from high-level integration plans i.e. short, medium and long-term plans, to specific integration plans, to task integration plans and

finally developed detailed plans based on S.M.A.R.T. criteria complete with communication being at the core of the plans. This stage involves drilling out (or up) from the core to achieve the high-level integration plans. As the S.M.A.R.T criteria are implemented and monitored in conjunction with the **communication plans**, then as the task integration plan outcomes are achieved this is followed by the specific integration plan outcomes being achieved and so on, all the time working outwards to achieve the strategic acquisition objectives. At this stage before full integration is achieved the members of the parent organisation may have an opportunity to familiarise themselves with the acquired organisation. In familiarising themselves with the acquired organisation the parent organisation generally implements a lighter (softer) level of integration (Askenas, DeMonaco & Francis, (1998) and Ellis, (2000)). But this may not be the case for each acquisition and much depends on the unique situation that the acquiring organisation finds itself in.

In addition a **verification and review process is undertaken** and this is based around achieving the strategic acquisition objectives. This typically involves, first, getting into the acquisition organisation and **verifying** at a high-level that the plans developed in the pre-acquisition stage for post-acquisition integration are appropriate, based on the new realities of the situation that the organisation finds itself in, post-acquisition i.e. one cannot believe everything that one is told in the negotiation stage. Secondly an **assessment of the soft cultural elements** which may not have been feasible in the pre-acquisition stage is carried out. Additionally a **review of the organisation** is conducted and this can be anything from a high-level overview to a very detailed assessment/complete review.

The outcomes of the verification and review processes may entail a revision of the earlier plans or an expansion of the high-level pre-acquisition integration plans based on the new realities of the situation. This will involve first drilling down from high-level integration planning to developing detailed S.M.A.R.T. plans/criteria and then implementing these plans by drilling out and managing and monitoring this process in conjunction with good communication plans.

An overall review of the integration process is then carried to assess the likelihood of the strategic acquisition objectives being met and could be carried out at any time up to two years after the implementation of the integration process depending on the unique

acquisition integration situation. Once this review process is complete the pace of integration is usually increased (Askenas, DeMonaco & Francis, (1998) and Ellis, (2000)) as the acquiring organisation has got a sense of the acquisition and it has established its grounded long-term objectives. The strategic integration process (Burgelman & McKinney, 2005) i.e. the long-term integration process is then implemented as per the previous integration implementation processes i.e. working out from the core of the onion with good communication plans, while implementing and monitoring the plans.

Upon completion of the integration process a complete re-appraisal and review (Roberts, Wallace & Moles, 2003) of the acquisition process is undertaken and the acquisition integration process is assessed against the strategic acquisition objectives to determine its success. In addition each stage is reviewed with feedback offered and the integration lessons learnt are combined with the success/failure review which may result in a decision to revise the process/model, thus increasing the likelihood that future acquisitions may be trouble free.

As can be seen from the above synopsis, the strategic acquisition objectives are aligned throughout the process (Venema, 2012) and this increases the chances of integration success. The integration process is also project managed from the outset (Knillans, 2009) and the process model such as the one developed here is used to guide and build effective integration strategies (Heimeriks, Schijven & Gates, 2012).

10.1 Summary

In the above chapter the author incorporated a review of the recently published relevant literature, he also considered the results of both an internal and external validation study and he re-appraised the literature i.e. the results of the field studies against the conceptual process model synopsis. Each of these tasks, together with the outcomes of his field research, were combined by him to provide a high-level synopsis of the finalised complete acquisition integration process model. In the following chapter the author will summarise the main conclusions drawn from this research study, the limitations of the study, the implications for the literature and management, he will then discuss the contribution to knowledge. He will suggest some areas of additional research which may help to further refine the integration process model developed here.

Chapter 11 Conclusions and suggestions for further research

In the previous chapter the author outlined how the field research, a review of the recently published literature, an internal and external validation study and a literature re-appraisal were combined to develop a high-level synopsis of the final complete acquisition integration process model and in this chapter he will outline the research limitations, followed by a discussion on the validity and reliability of the data collection and analysis approaches, then he will discuss the research objectives and the main conclusions to be drawn from this research, implications of the research for the literature and management, followed by the study's contribution to knowledge. In addition suggestions will also be offered for further research that may be undertaken to refine this complete acquisition integration process model.

11.1 The research limitations

There are a number of limitations to this research thesis. The first major limitation involves the use of only 4 case sample organisations, with a further 8 involved in an external validation study. By using such a small sample set the outcomes of the study are not generalisable to the wider M&A population, as Yin (2003), believes that “case studies provide fewer bases for generalisation”. It must be noted that the author did try to get more case organisations to participate in the study, for example, one MNC even pulled out just prior to the commencement of the semi-structured interviews. This may have been for a number of reasons; confidentiality, the high percentage of acquisition failures, possibly the lack of a process model, etc. Mehta & Hirschheim (2007) found this to be the case in their M&A research and stated that; “it is hard to get access to M&A case organisations”.

The second major limitation involved the number of interviews that were carried out. For the case organisations, sixteen semi-structured interviews were carried out in total and this number again was quite small. It must be noted however, that the process model developed here was pitched at senior executive management and only a small number of these executives were involved throughout the complete acquisition integration process i.e. pre- and post-acquisition. In the pre-acquisition stage this was due mainly to their confidential nature and the restricted access to the data room, of the

M&A planning and decision making process, where only senior executives were involved i.e. C.E.O.'s, C.F.O.'s, C.O.O.'s, etc..

In addition it was proposed that the MD as an expert informant in each organisation would be interviewed (page 66). However this only happened in organisation B, due to the unavailability of the other interviewees.

Furthermore, permission was sought prior to commencement of each interview to record the interview (Rapley, 2009) and in all but one instance this permission was granted. Participant D in organisation C requested that the interview not be recorded. This request was honoured as per the participant's right in the ethical approach adopted in this study (page 74). However it was noted as a limitation as it did affect the quality and quantity of data recorded, especially as the participant involved was the person responsible for the management of the complete integration process. The quantity of material gathered in the interview was a lot less than in other interviews, with the interviewer only being able to write down and concentrate on the main points, as one couldn't keep asking the participant to slow down all the time and repeat their point.

Another limitation of the study is that participant B in organisation C requested that significant elements of the interview be deleted i.e. revision 3 once again was the version used in the data analysis, as upon reflection he was uncomfortable due to the highly sensitive nature of his responses to the interview questions. The deleted elements revolved around how organisation C went about its post-acquisition integration process. It would have provided extra support and made an important contribution to the findings in relation to In-case organisation C and the Cross-case analysis, on how the organisations managed and ran their post-acquisition integration process. This was a limitation in relation to organisation C. Subsequently it was announced post-acquisition, in the press, that the organisation would be letting go of 150 staff. Hence the assumption here was that a review of the organisation was carried out and then a decision was made to let these staff go. Therefore proving that organisation C did in fact adopt a two-stage post-acquisition integration process i.e. light integration initially, followed by deeper integration. This would have supported the other participant's observations.

Also another limitation of the study that was referred to in the Research Design and Methodology chapter (Chapter 6, pp. 66 & 67), is that one was limited to what each

organisation would provide by way of integration documentation, due to the confidential nature of acquisitions. The author was aware of this limitation and had to tread carefully in gaining access to documents. As it happened it was probably a good thing that most interviews were completed prior to the viewing of documents, as the author built up a rapport with the participants over the hour and a half, to the extent that they trusted him with the information. On the other hand, if documents were forthcoming prior to the interviews, they may not have been of the same quality.

However it must be noted that the level of integration documentation produced by the various In-case organisations varied quite dramatically and this was noted as another limitation. This integration documentation consisted of scarcely any integration documentation to very detailed plans. For example, In-case organisation A produced a series of high-level integration details i.e. Gantt charts and objectives in the pre-acquisition stage and detailed low-level integration plans, more detailed Gantt charts in the post-acquisition integration, along with new product development strategy information. In-case organisation B on the other hand, did not produce any detailed integration plans in the pre-acquisition stage, but did produce roadmaps at the time of the acquisition on the whiteboard on an overall new product development plan, for which the acquisition would play a role. However organisation B did carry out very detailed legal searches around patents and I.P. issues, to which the author was granted access, as these were key to the success of the acquisition and its integration. In-case organisation C did produce very detailed plans including Gantt charts and documentation in the pre-acquisition stage and followed this through in the post-acquisition implementation, which consisted of detailed meeting minutes on the integration progress. In-case organisation D did produce a very detailed 5-year financial plan in the pre-acquisition stage. It did not provide integration plans for the pre- or the post-acquisition stages, but did produce financial forecasts. This might be partly due to the fact that it was going to leave the acquisition as a standalone entity and only monitor it financially on a monthly basis.

Thus, it must be noted at this stage that the lack of any detailed integration documentation for half of the In-case organisations was a limitation of the study as the outcomes of those interviews cannot be verified by another data source to substantiate the outcomes of the research. But more importantly it was a major cause of concern for acquisition integrations in general that such documentation did not even exist and that

organisations often underestimate the importance of integration planning. This lack of planning supports the need for this research study and the development of a complete acquisition integration process model. In addition if the lack of documentation was indicative of acquisitions in general, then this **may** also help to explain the high failure rates in acquisition integrations, although it must be stated that none of the In-case organisation acquisition were deemed failures by the senior management executives. Hence the need for more research in this underdeveloped area of acquisition integration. It must also be noted that in no instance did the documentation contradict the results obtained from the interview process. If anything it considerably enhanced the process and the actual details.

Zarb & Noth (2012) talked about the effect that recessions have on organisations and how these could impact on organisations. This happened with Organisation D, who said that they may not have brought the acquisition in-house, but for the recession. Hence the long-term re-evaluation process of the acquisition might be affected by this limitation.

Additionally the comments on execution made earlier are reinforced by Steynberg & Veldsman (2011), who found that the process model developed will only advance mergers and acquisitions integration if it is applied from the appropriate vantage point, generally C.E.O.'s, C.F.O.'s, C.O.O.'s.

11.2 The verifiability and reliability of data collection and analysis process

In adopting two methods of data collection i.e. interviews and documents in this study, methodological triangulation has been ensured as has transferability. Additional steps were taken to increase the opportunity for replication and to increase verification at these stages. These consisted of developing a set of semi-structured interview questions for all the interviews, recording and transcribing the interviews and subsequently forwarding these onto participants for verification. In addition two third party doctoral supervisors checked the coded data.

Additionally by developing the In-case process models and getting the In-case organisations to verify their accuracy, this iterative process verified the data analysis process and its outcomes. Also, by developing an interim process model through outcomes from the Cross-case analysis, the conceptual process model produced and it's supporting literature and obtaining the In-case organisations' views on the interim

model through semi-structured interviews and comparative analysis, this iterative approach again verified the value of the model as only minor clarifications of the interim model were suggested. Finally, an internal (i.e. with In-case participants) and external validation by 8 senior executives i.e. with non-case study participants was added to this research, to assess the usefulness, distinctiveness, simplicity, completeness and their willingness to use the model for future acquisitions.

Furthermore, to safeguard the quality of the research study, a methodology coherence and triangulation strategy was adopted throughout the study (Denzin, (1994); Yin, (1994); Creswell, (1998)). This entailed the literature synthesis informing the documentary evidence searches and also the development of the semi-structured interview questions. Furthermore, the data was coded and analysed using comparative analysis, in addition to developing In-case and Cross-case analysis techniques to draw conclusions and develop the overall complete acquisition integration process model.

The limitations of the study have been highlighted. However the techniques adopted, as well as the positive endorsements from internal In-case and external validation participants, suggest that it has promise for expanded research, with a more numerous sample base, on the topic and should then be generalisable.

11.3 Conclusions

The research objectives set out by the author at the start of this thesis were

1. To establish the need for a complete acquisition integration process model.
2. To investigate how acquiring organisations address strategic, organisational and cultural alignment and fit.
3. To develop a complete acquisition integration process model.

The **first objective** of the thesis is to establish the need for a complete acquisition integration process model. The author has established that no process model contains all elements of the complete process and this originally according to Howell (1970) often lead executives to reverse their acquisition decisions during integration as they had no conceptual scheme from which to work. Indeed the author has ascertained that a large number of the models only consider specific stages or elements of the acquisition process in isolation (Jemison & Sitkin, (1986 a, b); Pablo, (1991); Askenas, DeMonaco & Francis, (1998); Ellis, (2000) and Quah & Young, (2005)), with little thought given

to a complete acquisition integration process. Attempts to develop a model have been made, such as Kim (1998) and Handler (2006) who proposed a multi-dimensional approach to the M&A process. Success has remained elusive, with the need ever-present typified by the comment from McDonald, Coulthard and de Lange (2005, page 7) who declared this need “to get the testosterone out of the deal”. Indeed this research study shows that each organisation in the sample set failed to develop a process model. Additionally the author found that the canvassed organisations would all welcome the development of such a process model, as they believe it would facilitate a more structured approach to their integration planning.

The **second objective** of this research was to investigate how acquiring organisations address the concepts of strategic, organisational and cultural alignment and fit. From the field research it was found from the small sample set that there is a greater emphasis placed on strategic and financial fit at the commencement of the acquisition analysis, which supports Kitching (1974). Minimal emphasis is initially placed on the organisational and cultural fit, although their importance is typically recognised later in the process. In addition it was found that management typically underestimate the level of post-acquisition cultural integration required for successful integration.

The **third objective** of this study was the development of a **complete acquisition integration process model**. The author develops such a model throughout the thesis based initially on a thorough examination of the relevant literature to develop a conceptual model, which was field tested, and subsequently arrived at a final, complete acquisition integration process model, which was validated in a limited external study (see Figure 10.2). The author believes that the model developed here is grounded both in theory and in practice and that In addition there is a need for such a process model.

Some additional conclusions, unrelated to the original objectives, have also been drawn by the author including that the setting up of a data room can exacerbate M&A process problems (Jemison & Sitkin, (1986); Pablo, (1991); Ellis, (2000); Handler, (2006)), as case study participants suggested that it may be a deliberate act to induce pressure in the decision-making process.

In addition it was found from the small sample set that the phased integration suggested in some literature (Askenas, DeMonaco & Francis, (1998) and Ellis, (2000)) actually

did occur. In these cases, a lighter level of integration did indeed take place immediately post-acquisition, in order to permit the acquiring organisation to familiarise itself with the acquired organisation, which led to an increased level of integration being carried out over the long-term.

11.4 Implications of the research

There are a number of implications for the literature and management that have been derived for this research study and the main ones are listed below.

11.4.1 Implications for the literature

First, the parent organisations corporate vision and strategy plays a very important role in early stage integration planning and decision making. Research has shown that these aspects are more important than the current literature suggests (Marsh, (2005) and Handler (2006)) as it would appear that this aspect is intuitive and not formalised in any manner. All early stage integration decisions are based on these two elements and hence a more strategic approach needs to be adopted and project managed from the outset, otherwise the integration may miss its objectives and drift off course.

Second, this study supports research carried out by Pablo (1994); Ellis (2000) and McDonald, Coultard & de Lange (2005) regarding the weighting of fit factors and the fact that management do not weight each fit factor with the same importance. However, the field studies discovered supporting evidence for the fact that management at the early stage of candidate analysis believe strategic and financial fit (Schweiger et al., 1993) are more important than organisational and cultural fit. In fact it was discovered that if the parent organisation do not deem the acquisition to have a good strategic and financial fit then they will not go ahead with it.

In addition it was revealed that management believe that organisational and cultural fit are not sufficient elements to warrant management carrying out an acquisition, but if they are not present then management may not undertake the acquisition. Note: However, as each acquisition is unique this may not be true of all acquisitions.

Additionally it was discovered that there is a difference between the initial detailed candidate analysis unique weighting of pre-acquisition fit factors and the pre-acquisition

planning for post-acquisition integration stage which has to date **not** been acknowledged in the literature. As was highlighted earlier, management are more concerned with the strategic and financial elements of the target organisation and hence these are weighted very highly. Once these fundamental decisions have been decided upon and management are satisfied that the acquisition is a good strategic and financial fit, then management become more concerned about organisational and cultural tasks in the pre-acquisition planning for post-acquisition integration and hence these get a higher weighting. Note: As each acquisition is unique, this may not be the case with all acquisitions.

Another implication for the literature comes at the end of the due diligence process. Management, having carried out a detailed analysis of the strategic, financial, organisational and cultural fit, may decide to revise or increase the number of strategic acquisition objectives based on the gathering of detailed due diligence information. These new/revised or existing strategic acquisition objectives are used to guide the subsequent pre-acquisition planning for post-acquisition integration phase and are aligned throughout the integration process.

A further implication for the literature is that the study identified that it is advisable to have as much pre-acquisition planning for post-acquisition integration carried out prior to completion of the negotiation process as this facilitates better negotiation management and prevents management paying too high a premium for the acquisition because they are fully aware of the integration implications.

Finally a number of extraneous strategic risks need to be carefully project managed throughout the integration process as these may cause the acquisition integration to drift off course and not achieve its strategic acquisition objectives. One major element of these risks is the M&A process. Published research on this risk is extensive (Jemison & Sitkin, (1986 a, b); Pablo (1994); Ellis (2000) and McDonald, Coultard & de Lange (2005)). However, the literature on this risk typically focuses on the pre-acquisition M&A process, when in fact it might warrant extension into the post-acquisition integration phase, as Organisation A identified that they were so focused on the integration process and getting it right due to their awareness of the high proportion of M&A failures, that they neglected to monitor the market and competitor risk elements. In addition published research is light on market force and competitor forces risks and

non-existent on parental organisation market pressure risks and the approach to luck that organisation adopt.

11.4.2 Managerial implications

The major implication for management from this research is the need to develop an acquisition integration process model to guide them through the complex integration process. Most organisations will only ever undertake one acquisition, hence they are unfamiliar with the complex integration process and how a process model would guide them through the process. In addition the research discovered that management recognise the need for such a process model and the importance of a systematic approach to integration planning commencing from the outset of the decision to acquire.

Another implication is that management need to develop a small number of strategic acquisition objectives at a very early stage in the M&A process and that these objectives need to be aligned throughout the pre-and post-acquisition integration stages in order to increase the chances of integration success.

Also the research confirmed that for each acquisition, its integration requirements and performance management criteria (i.e. strategic acquisition objectives) are unique and that the integration process model and the project management of the integration process need to be tailored to this uniqueness.

As highlighted above in the implications for the literature, management need to adopt a phased approach to the unique weighting of pre-acquisition fit factors. In the detailed candidate analysis stage the investigation may predominantly focus on the strategic and financial fit, but once these elements are verified, their importance should decrease and the importance of organisational and cultural fit should increase as one starts to properly plan for the post-acquisition integration process in the pre-acquisition stage. Note: This may vary as each acquisition is unique.

In the past there has been a lack of pre-acquisition planning for post-acquisition integration, however as the research has highlighted a significant amount of planning can be carried out in the pre-acquisition stage from the outcomes of the detailed candidate analysis stage. Management need to start thinking more about integration planning in the pre-acquisition stage instead of leaving it to the post-acquisition stage.

This will involve a change of mind-set, where financial and integration planning can be carried out in unison.

Another managerial implication involves the negotiation process. It is imperative that management have as much pre-acquisition planning for post-acquisition integration carried out as possible before entering into the final negotiation stage. This will facilitate informed decision making and make management aware of the implications of the negotiating process on the integration process.

The final implication of the research relates to post-acquisition integration. Management need to be aware that it may take up to seven years to complete the integration process (i.e. cultural integration). There are two phases to the post-acquisition integration process. The first typically consists of a softer level of integration until the organisation becomes fully familiar with the target acquisition and then after a full review of the acquisition a deeper level of integration takes place (i.e. long-term strategic integration).

11.5 Contribution to knowledge

The major contribution to knowledge that this study offers is the development of a complete acquisition integration process model that aligns acquisition strategic objectives throughout the pre- and post-acquisition integration process. This study has significance for management, as the author provides detailed guidance for the achievement of acquisition success through the development of a complete acquisition integration process model.

The author also believes that the acquisition planning and integration implementation 'onion' in Figure 11.1 provides a contribution to knowledge that previously did not exist, as organisations lacked a complete, simple and generic model to follow in the integration planning and implementation process. The 'onion' provides a simple, yet detailed insight into that process. The 'onion' is based on aligning the strategic acquisition objectives throughout the planning and implementation process and hence provides organisations with the opportunity to assess success against the original objectives set for the acquisition. This is a thorough and effective overview of a very complex process and one, which the internal and external validation participants agreed, fully encapsulated the planning and implementation process succinctly.

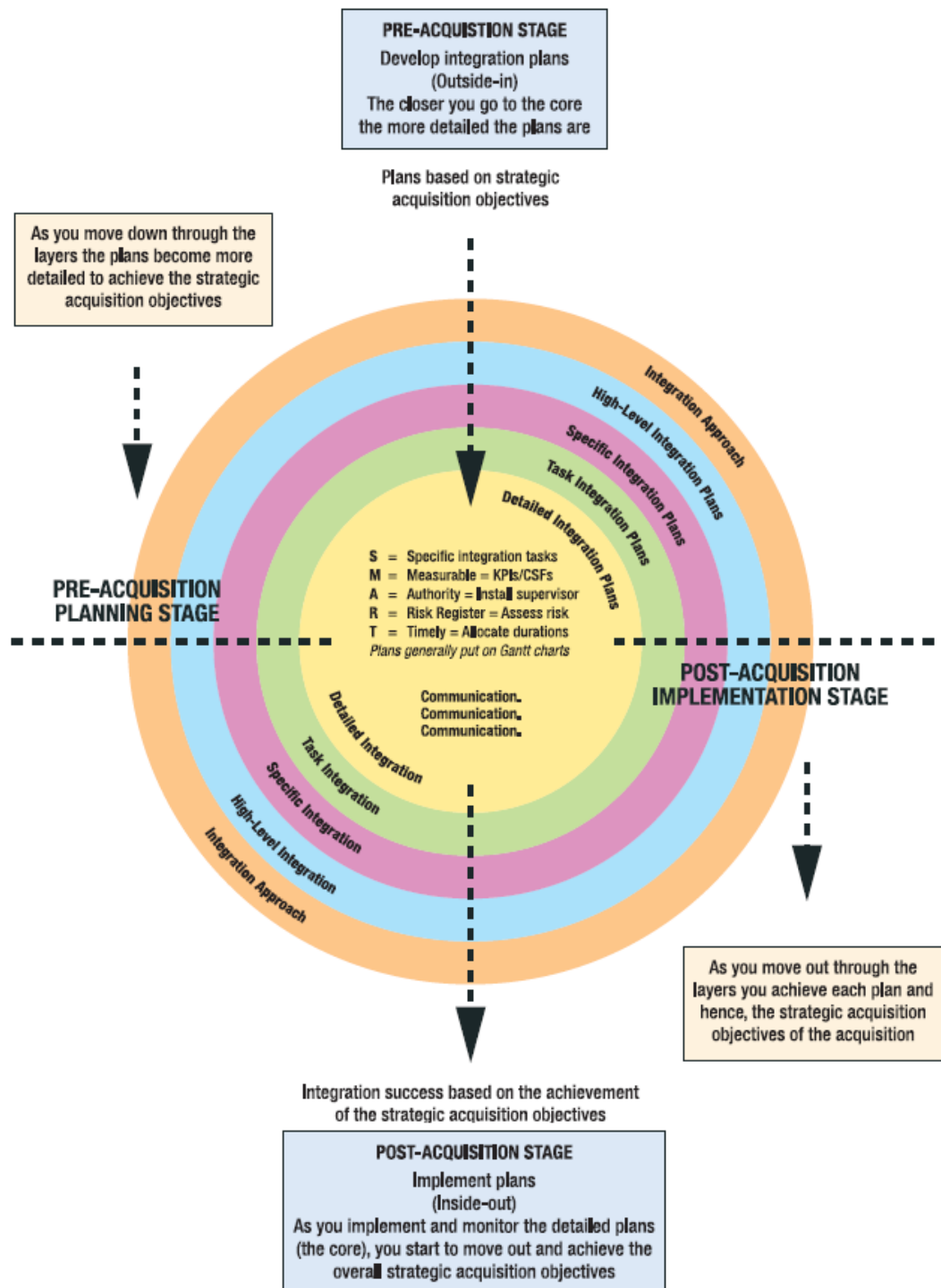


Figure 11.1 Acquisition planning and integration implementation ‘onion’

11.6 Suggestions for further research

The following suggestions for further research are intended to enhance the complete acquisition integration process model.

11.6.1 Possible future methodology suggestions to improve the process model

- Implement the process model in conjunction with a number of organisations who intend to carry out an acquisition i.e. longitudinal research study and revise the process model based on outcomes.
- Implement the process model in conjunction with a number of organisations who intend to carry out a series of acquisitions and assess if this model is suitable for serial acquisitions.
- Use focus groups as a way of gathering collective data to reflect / simulate the strategic high-level analysis integration planning stage and other various stages in the integration process.
- Organisations may not carry out a post-acquisition review of their integration process. Carrying out such a review with a number of organisations would facilitate the enhancement of the process model. This could be facilitated via either a collective review or individual data gathering process.

11.6.2 Project management

Research is recommended to combine the developed process model with a consideration of the person's best equipped to carry out the integration project management process, based on the likely required qualities, experience and role in the organisation.

11.6.3 Extraneous strategic risks

Further research could be carried out to expand the list of and impact of extraneous strategic risks including the following:

- M&A process risks: the development of a model to aid the identification of M&A process risks, an assessment of their potential consequences and possible solutions for dealing with same.
- The importance of organisations engaging in market analysis assessment prior to or during the due diligence process and while carrying out the integration.
- Competitive forces risks: similar question to the above.

- Parental organisation market pressure risks: in these times of austerity, to what extent do the pressures placed on the parent organisation impact on the acquired organisation.

11.6.4 Acquisition context

As highlighted earlier in the thesis, the acquisition context is an important parameter to consider in the overall process. This parameter warrants further consideration, including the development of a model to aid the formal investigation of the acquisition context and assessment of their potential consequences and possible solutions for dealing with same in the integration planning process?

11.6.5 Strategic high-level analysis

Should the strategic high-level analysis process be expanded upon to include more personnel who will be involved in the actual integration process? The competing demands of keeping the process tight in terms of personnel versus the advantages of wider inclusion should be considered in more detail.

11.6.6 Pre-acquisition planning for post-acquisition integration

There are two distinct aspects to be considered in this context, namely

- Soft cultural integration planning: The role that communication plans play in achieving soft cultural integration in light of minimal pre-acquisition evaluation of soft cultural elements.
- The effects of service level agreements or transaction service agreements upon integration planning.

11.6.7 Negotiation process

Research is needed to confirm the need for and characterise the requirements of the integration project manager and his role in the negotiation process.

11.6.8 Post-acquisition integration

It is difficult to define the balance between empowering the acquired organisation's staff and the management drive and ethos of the acquiring organisation. Research is needed in relation to this process model to both confirm the importance of

empowerment in post-acquisition integration and to help define a generic approach to ascertain the level and nature of this empowerment.

Finally, the following quotation is very appropriate for M&A integration:

“You can’t fall in love with a deal; you have to fall in love with what it does for your company” (Kullman, 2012).

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